**Consolidated Financial Statements**
Years ended December 31, 2023 and December 31, 2022

**ATHENE ANNUITY RE LTD.**
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# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of
Athene Annuity Re Ltd.

## Opinion

We have audited the consolidated financial statements of Athene Annuity Re Ltd. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows, for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a period of one year after the date that the financial statements are issued.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Deloitte Ltd.

April 26, 2024

**ATHENE ANNUITY RE LTD.**
**Consolidated Balance Sheets**

| | December 31, | |
|---|---|---|
| *(In millions, except per share data)* | 2023 | 2022 |
| **Assets** | | |
| Investments | | |
| Available-for-sale securities, at fair value (amortized cost: 2023 – $147,553 and 2022 – $120,971; allowance for credit losses: 2023 – $590 and 2022 – $458) | $ 134,331 | $ 102,393 |
| Trading securities, at fair value | 1,706 | 1,595 |
| Equity securities (portion at fair value: 2023 – $935 and 2022 – $1,087) | 1,293 | 1,487 |
| Mortgage loans (portion at fair value: 2023 – $44,115 and 2022 – $27,454) | 44,115 | 27,543 |
| Investment funds | 109 | 79 |
| Policy loans | 334 | 347 |
| Funds withheld at interest (portion at fair value: 2023 – $(3,379) and 2022 – $(4,847)) | 24,359 | 32,880 |
| Derivative assets | 5,298 | 3,309 |
| Short-term investments (portion at fair value: 2023 – $341 and 2022 – $520) | 341 | 2,160 |
| Other investments (portion at fair value: 2023 – $943 and 2022 – $611) | 1,206 | 773 |
| Total investments | 213,092 | 172,566 |
| Cash and cash equivalents | 12,599 | 6,909 |
| Restricted cash | 1,761 | 628 |
| Investments in related parties | | |
| Available-for-sale securities, at fair value (amortized cost: 2023 – $14,455 and 2022 – $10,440; allowance for credit losses: 2023 – $1 and 2022 – $1) | 14,009 | 9,821 |
| Trading securities, at fair value | 838 | 878 |
| Equity securities, at fair value | 63 | — |
| Mortgage loans (portion at fair value: 2023 – $1,281 and 2022 – $1,302) | 1,365 | 1,302 |
| Investment funds | 550 | 609 |
| Funds withheld at interest (portion at fair value: 2023 – $(721) and 2022 – $(1,425)) | 6,474 | 9,808 |
| Short-term investments | 947 | — |
| Other investments, at fair value | 343 | 303 |
| Intercompany notes receivable | 1,246 | 1,289 |
| Accrued investment income (related party: 2023 – $166 and 2022 – $104) | 1,911 | 1,328 |
| Reinsurance recoverable (portion at fair value: 2023 – $1,367 and 2022 – $1,388) | 4,154 | 4,358 |
| Deferred acquisition costs, deferred sales inducements and value of business acquired | 5,979 | 4,466 |
| Goodwill | 4,065 | 4,058 |
| Other assets (related party: 2023 – $65 and 2022 – $101) | 9,649 | 8,280 |
| Assets of consolidated variable interest entities | | |
| Investments | | |
| Trading securities, at fair value (related party: 2023 – $644 and 2022 – $0) | 2,136 | 1,063 |
| Mortgage loans, at fair value (related party: 2023 – $358 and 2022 – $342) | 2,173 | 2,055 |
| Investment funds, at fair value (related party: 2023 – $15,425 and 2022 – $10,068) | 15,927 | 12,480 |
| Other investments, at fair value (related party: 2023 – $80 and 2022 – $73) | 103 | 101 |
| Cash and cash equivalents | 98 | 312 |
| Other assets | 110 | 112 |
| **Total assets** | $ 299,592 | $ 242,726 |

*(Continued)*

*See accompanying notes to consolidated financial statements*

**ATHENE ANNUITY RE LTD.**
**Consolidated Balance Sheets**

| | December 31, | |
|---|---|---|
| *(In millions)* | 2023 | 2022 |
| **Liabilities and Equity** | | |
| **Liabilities** | | |
| Interest sensitive contract liabilities (related party: 2023 – $8,599 and 2022 – $11,889; portion at fair value: 2023 – $9,893 and 2022 – $6,670) | $ 204,670 | $ 173,616 |
| Future policy benefits (related party: 2023 – $9 and 2022 – $1,353; portion at fair value: 2023 – $1,700 and 2022 – $1,712) | 53,287 | 42,110 |
| Market risk benefits (related party: 2023 – $227 and 2022 – $195) | 3,751 | 2,970 |
| Derivative liabilities | 1,967 | 1,642 |
| Payables for collateral on derivatives and securities to repurchase | 7,536 | 6,707 |
| Other liabilities (related party: 2023 – $1,490 and 2022 – $686) | 3,261 | 1,929 |
| Liabilities of consolidated variable interest entities (related party: 2023 – $513 and 2022 – $292) | 1,115 | 815 |
| **Total liabilities** | 275,587 | 229,789 |
| **Commitments and Contingencies (Note 17)** | | |
| **Equity** | | |
| Common stock - par value: $1.00 per share; authorized: 2023 and 2022 - 250,000; issued and outstanding: 2023 and 2022 - 250,000 | — | — |
| Additional paid-in capital | 20,000 | 19,599 |
| Retained earnings (accumulated deficit) | 2,191 | (2,716) |
| Accumulated other comprehensive income (loss) (related party: 2023 – $(357) and 2022 – $(167)) | (5,583) | (7,337) |
| **Total Athene Annuity Re Ltd. shareholder’s equity** | 16,608 | 9,546 |
| Noncontrolling interests | 7,397 | 3,391 |
| **Total equity** | 24,005 | 12,937 |
| **Total liabilities and equity** | $ 299,592 | $ 242,726 |

*(Concluded)*

*See accompanying notes to consolidated financial statements*

**ATHENE ANNUITY RE LTD.**
**Consolidated Statements of Income (Loss)**

| *(In millions)* | Years ended December 31, 2023 | 2022 |
|---|---|---|
| **Revenues** | | |
| Premiums (related party: 2023 – $17 and 2022 – $261) | $ 12,749 | $ 11,638 |
| Product charges (related party: 2023 – $40 and 2022 – $41) | 848 | 718 |
| Net investment income (related party investment income: 2023 – $1,561 and 2022 – $1,250 and related party investment expense: 2023 – $886 and 2022 – $707) | 11,125 | 7,482 |
| Investment related gains (losses) (related party: 2023 – $19 and 2022 – $(1,670)) | 1,426 | (12,734) |
| Other revenues (related party: 2023 – $0 and 2022 – $0) | 588 | (29) |
| Revenues of consolidated variable interest entities | | |
| Net investment income (related party investment income: 2023 – $0 and 2022 – $19) | 257 | 111 |
| Investment related gains (related party: 2023 – $1,227 and 2022 – $542) | 1,191 | 319 |
| **Total revenues** | 28,184 | 7,505 |
| **Benefits and expenses** | | |
| Interest sensitive contract benefits (related party: 2023 – $171 and 2022 – $19) | 6,229 | 538 |
| Future policy and other policy benefits (related party: 2023 – $46 and 2022 – $291 and remeasurement (gains) losses: 2023 – $(53) and 2022 – $(15)) | 14,434 | 12,465 |
| Market risk benefits remeasurement (gains) losses (related party: 2023 – $32 and 2022 – $(122)) | 404 | (1,657) |
| Amortization of deferred acquisition costs, deferred sales inducements and value of business acquired | 688 | 444 |
| Policy and other operating expenses (related party: 2023 – $44 and 2022 – $161) | 1,544 | 1,212 |
| **Total benefits and expenses** | 23,299 | 13,002 |
| **Income (loss) before income taxes** | 4,885 | (5,497) |
| Income tax expense (benefit) | (1,108) | (675) |
| **Net income (loss)** | 5,993 | (4,822) |
| Less: Net income (loss) attributable to noncontrolling interests | 1,087 | (2,106) |
| **Net income (loss) attributable to Athene Annuity Re Ltd.'s shareholder** | $ 4,906 | $ (2,716) |

*See accompanying notes to consolidated financial statements*

**ATHENE ANNUITY RE LTD.**
**Consolidated Statements of Comprehensive Income (Loss)**

| | Years ended December 31, | |
|---|---|---|
| *(In millions)* | 2023 | 2022 |
| Net income (loss) | $ 5,993 | $ (4,822) |
| Other comprehensive income (loss), before tax | | |
| Unrealized investment gains (losses) on available-for-sale securities | 5,284 | (18,156) |
| Unrealized gains (losses) on hedging instruments | (199) | 2 |
| Remeasurement gains (losses) on future policy benefits related to discount rate | (2,236) | 8,425 |
| Remeasurement gains (losses) on market risk benefits related to credit risk | (374) | 366 |
| Foreign currency translation and other adjustments | 42 | (43) |
| Other comprehensive income (loss), before tax | 2,517 | (9,406) |
| Income tax expense (benefit) related to other comprehensive income (loss) | 511 | (1,933) |
| Other comprehensive income (loss) | 2,006 | (7,473) |
| **Comprehensive income (loss)** | 7,999 | (12,295) |
| Less: Comprehensive income (loss) attributable to noncontrolling interests | 1,342 | (2,242) |
| **Comprehensive income (loss) attributable to Athene Annuity Re Ltd.'s shareholder** | $ 6,657 | $ (10,053) |

*See accompanying notes to consolidated financial statements*

**ATHENE ANNUITY RE LTD.**
**Consolidated Statements of Equity**

| *(In millions)* | Common stock | Additional paid-in capital | Retained earnings (accumulated deficit) | Accumulated other comprehensive income (loss) | Total Athene Annuity Re Ltd. shareholder's equity | Noncontrolling interests | Total equity |
|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2022** | $ — | $ 19,285 | $ — | $ — | $ 19,285 | $ 2,276 | $ 21,561 |
| Net loss | — | — | (2,716) | — | (2,716) | (2,106) | (4,822) |
| Other comprehensive loss | — | — | — | (7,337) | (7,337) | (136) | (7,473) |
| Stock-based compensation | — | 34 | — | — | 34 | — | 34 |
| Distributions to noncontrolling interests | — | — | — | — | — | (63) | (63) |
| Contributions from noncontrolling interests of consolidated variable interest entities and other | — | — | — | — | — | 2,457 | 2,457 |
| Contributions from noncontrolling interests | — | — | — | — | — | 1,047 | 1,047 |
| Contributions from parent | — | 337 | — | — | 337 | — | 337 |
| Distributions to parent | — | (57) | — | — | (57) | — | (57) |
| Other changes in equity of noncontrolling interests | — | — | — | — | — | (84) | (84) |
| **Balance at December 31, 2022** | $ — | $ 19,599 | $ (2,716) | $ (7,337) | $ 9,546 | $ 3,391 | $ 12,937 |
| Net income | — | — | 4,906 | — | 4,906 | 1,087 | 5,993 |
| Other comprehensive income | — | — | — | 1,751 | 1,751 | 255 | 2,006 |
| Stock-based compensation allocation from parent | — | 58 | — | — | 58 | — | 58 |
| Contributions from parent | — | 332 | — | — | 332 | — | 332 |
| Contributions from noncontrolling interests | — | — | — | — | — | 996 | 996 |
| Distributions to noncontrolling interests | — | — | — | — | — | (539) | (539) |
| Contributions from noncontrolling interests of consolidated variable interest entities and other | — | — | — | — | — | 1,637 | 1,637 |
| Subsidiary issuance of equity interests and other | — | 11 | 1 | 3 | 15 | 570 | 585 |
| **Balance at December 31, 2023** | $ — | $ 20,000 | $ 2,191 | $ (5,583) | $ 16,608 | $ 7,397 | $ 24,005 |

*See accompanying notes to consolidated financial statements*

**ATHENE ANNUITY RE LTD.**
**Consolidated Statements of Cash Flows**

| | Years ended December 31, | |
|---|---|---|
| *(In millions)* | 2023 | 2022 |
| **Cash flows from operating activities** | | |
| Net income (loss) | $ 5,993 | $ (4,822) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Amortization of deferred acquisition costs, deferred sales inducements and value of business acquired | 688 | 444 |
| Net amortization (accretion) of net investment premiums, discounts and other | 81 | 267 |
| Gain on recapture of reinsurance agreements, net of cash received | (489) | — |
| Payment at inception of reinsurance agreements, net (related party: 2023 – $0 and 2022 – $0) | — | — |
| Net investment income (related party: 2023 – $(16) and 2022 – $(136)) | (19) | (348) |
| Net recognized (gains) losses on investments and derivatives (related party: 2023 – $(1,296) and 2022 – $(1,347)) | (1,960) | 6,009 |
| Policy acquisition costs deferred | (1,570) | (1,127) |
| Changes in operating assets and liabilities: | | |
| Accrued investment income (related party: 2023 – $(61) and 2022 – $15) | (593) | (366) |
| Interest sensitive contract liabilities (related party: 2023 – $131 and 2022 – $(24)) | 3,917 | (1,337) |
| Future policy benefits, market risk benefits and reinsurance recoverable (related party: 2023 – $6 and 2022 – $41) | 4,333 | 3,901 |
| Funds withheld assets (related party: 2023 – $(371) and 2022 – $1,184) | (3,411) | 5,229 |
| Other assets and liabilities | (1,248) | (1,659) |
| Net cash provided by operating activities | 5,722 | 6,191 |

| | 2023 | 2022 |
|---|---|---|
| **Cash flows from investing activities** | | |
| Sales, maturities and repayments of: | | |
| Available-for-sale securities (related party: 2023 – $2,081 and 2022 – $4,039) | $ 14,474 | $ 18,458 |
| Trading securities (related party: 2023 – $156 and 2022 – $72) | 390 | 216 |
| Equity securities (related party: 2023 – $0 and 2022 – $11) | 167 | 392 |
| Mortgage loans (related party: 2023 – $34 and 2022 – $25) | 4,574 | 3,536 |
| Investment funds (related party: 2023 – $251 and 2022 – $1,405) | 310 | 1,613 |
| Derivative instruments and other invested assets (related party: 2023 – $0 and 2022 – $165) | 4,324 | 3,140 |
| Short-term investments (related party: 2023 – $949 and 2022 – $0) | 3,278 | 604 |
| Purchases of: | | |
| Available-for-sale securities (related party: 2023 – $(3,960) and 2022 – $(4,532)) | (37,265) | (36,813) |
| Trading securities (related party: 2023 – $(860) and 2022 – $(197)) | (2,713) | (950) |
| Equity securities (related party: 2023 – $0 and 2022 – $(13)) | (116) | (246) |
| Mortgage loans (related party: 2023 – $0 and 2022 – $(596)) | (20,970) | (13,178) |
| Investment funds (related party: 2023 – $(2,333) and 2022 – $(4,783)) | (2,461) | (5,758) |
| Derivative instruments and other invested assets (related party: 2023 – $(46) and 2022 – $(266)) | (5,637) | (2,963) |
| Short-term investments (related party: 2023 – $(1,832) and 2022 – $(19)) | (2,379) | (2,617) |
| Consolidation of new variable interest entities | 3 | 393 |
| Deconsolidation of previously consolidated entities | (3) | (393) |
| Other investing activities, net | 188 | 67 |
| Net cash used in investing activities | (43,836) | (34,499) |

*See accompanying notes to consolidated financial statements*

**ATHENE ANNUITY RE LTD.**
**Consolidated Statements of Cash Flows**

| *(In millions)* | Years ended December 31, 2023 | 2022 |
|---|---|---|
| **Cash flows from financing activities** | | |
| Contributions from parent | $ 335 | $ 337 |
| Repayment of notes payable to related parties | 370 | — |
| Proceeds from borrowings | 759 | — |
| Repayment on borrowings | (63) | — |
| Capital contributions from noncontrolling interests of consolidated VIEs | 1,809 | 2,164 |
| Deposits on investment-type policies and contracts (related party: 2023 – $7 and 2022 – $68) | 53,660 | 33,920 |
| Withdrawals on investment-type policies and contracts (related party: 2023 – $(402) and 2022 – $(350)) | (14,125) | (10,209) |
| Payments from (for) coinsurance agreements on investment-type contracts, net (related party: 2023 – $0 and 2022 – $0) | (14) | — |
| Capital contributions from noncontrolling interests | (539) | 1,047 |
| Capital distributions to noncontrolling interests | 996 | (63) |
| Subsidiary issuance of equity interests to noncontrolling interests | 632 | — |
| Net change in cash collateral posted for derivative transactions and securities to repurchase | 827 | (330) |
| Other financing activities, net | 66 | 322 |
| Net cash provided by financing activities | 44,713 | 27,188 |
| Effect of exchange rate changes on cash and cash equivalents | 10 | (15) |
| Net increase in cash and cash equivalents | 6,609 | (1,135) |
| Cash and cash equivalents at beginning of year[1] | 7,849 | 8,984 |
| Cash and cash equivalents at end of year[1] | $ 14,458 | $ 7,849 |
| | | |
| **Supplementary information** | | |
| Cash paid for taxes | $ 216 | $ (5) |
| Cash paid for interest | 363 | 121 |
| Non-cash transactions | | |
| Deposits on investment-type policies and contracts through reinsurance agreements (related party: 2023 – $20 and 2022 – $270) | 99 | 878 |
| Withdrawals on investment-type policies and contracts through reinsurance agreements (related party: 2023 – $1,646 and 2022 – $1,493) | 12,430 | 9,131 |
| Investments received from settlements on reinsurance agreements | 1,064 | 36 |
| Investments received from settlements on related party reinsurance agreements | 65 | — |
| Investments received at inception of reinsurance agreement | 2,158 | — |
| Investments received from pension group annuity premiums | 4,776 | 4,185 |
| Reduction in investments and other assets and liabilities relating to recapture of reinsurance agreement | 482 | — |
| Investments exchanged with third-party cedants | 145 | 612 |
| Borrowings of variable interest entities settled with investments | 52 | — |
| Assets contributed to consolidated VIEs | — | 8,007 |

[1] *Includes cash and cash equivalents, restricted cash and cash and cash equivalents of consolidated variable interest entities.*

*(Concluded)*

*See accompanying notes to consolidated financial statements*

**ATHENE ANNUITY RE LTD.**
**Notes to Consolidated Financial Statements**

## 1. Business, Basis of Presentation and Significant Accounting Policies

Athene Annuity Re Ltd. (AARe), a Bermuda exempted company, registered as a Class E insurer under the Bermuda Insurance Act 1978, as amended (Insurance Act), together with its subsidiaries (collectively, we, our, us, or the Company), is a leading financial services company that specializes in issuing, reinsuring and acquiring retirement savings products in the United States (US) and internationally. We conduct business primarily through the following consolidated subsidiaries:

- Our non-US reinsurance subsidiaries, to which AARe's other insurance subsidiaries and third-party ceding companies directly and indirectly reinsure a portion of their liabilities, including Athene Life Re Ltd. (ALRe), a Bermuda exempted company, registered as a Class E insurer under the Insurance Act and Athene Life Re International Ltd. (ALReI), a Bermuda exempted company registered as a Class C insurer under the Insurance Act; and
- Our US reinsurance subsidiaries, which primarily issues retirement savings products.

AARe is wholly owned by Athene USA Corporation (AUSA), an Iowa Corporation, and its ultimate parent is Apollo Global Management, Inc. (AGM, and together with its subsidiaries other than us or our subsidiaries, Apollo).

**Consolidation and Basis of Presentation -** Our consolidated financial statements include our wholly owned subsidiaries and investees in which we hold a controlling financial interest, including variable interest entities (VIEs). Investees in which we do not hold a controlling financial interest, but have the ability to exercise significant influence over operating and financing decisions, other than investments for which we have elected the fair value option, are accounted for under the equity method. Intercompany balances and transactions have been eliminated.

For entities that are consolidated, but not wholly owned, we allocate a portion of the income or loss and corresponding equity to the owners other than us. We include the aggregate of the income or loss and corresponding equity that is not owned by us in noncontrolling interests in the consolidated financial statements.

We report investments in related parties separately, as further described in the accounting policies that follow.

We have prepared the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (US GAAP), which requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual experience could materially differ from these estimates and assumptions. Our principal estimates impact:

- fair value of investments;
- impairment of investments and allowances for expected credit losses;
- derivatives valuation, including embedded derivatives;
- deferred acquisition costs (DAC), deferred sales inducements (DSI) and value of business acquired (VOBA);
- future policy benefit reserves;
- market risk benefit assets and liabilities; and
- valuation allowances on deferred tax assets.

Additional details around these principal estimates and assumptions are discussed in the significant accounting policies that follow and the related footnote disclosures.

*Merger* - On January 1, 2022, Athene Holding Ltd. (AHL) completed the merger with AGM and is now a direct wholly owned subsidiary of AGM. We have elected pushdown accounting in which we use AGM's basis of accounting, which reflects the fair market value of our assets and liabilities at the time of the merger, unless otherwise prescribed by US GAAP. See *Note 3 – Business Combination* for further information on the merger.

*Long-duration targeted improvements (LDTI)* - Effective January 1, 2023, we adopted Accounting Standards Update (ASU) 2018-12, *Financial Services - Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts*. All provisions of the update were applied using a retrospective transition approach, with a transition date of January 1, 2022, the date of our merger with AGM. See – *Adopted Accounting Pronouncements* below and *Note 2 – Adoption of Accounting Pronouncement* for further details.

**Summary of Significant Accounting Policies**

**Investments**

*Fixed Maturity Securities* - Fixed maturity securities includes bonds, collateralized loan obligations (CLO), asset-backed securities (ABS), residential mortgage-backed securities (RMBS), commercial mortgage-backed securities (CMBS) and redeemable preferred stock. We classify fixed maturity securities as available-for-sale (AFS) or trading at the time of purchase and subsequently carry them at fair value. Fair value hierarchy and valuation methodologies are discussed in *Note 7 – Fair Value*. Classification is dependent on a variety of factors including our expected holding period, election of the fair value option and asset and liability matching.

*AFS Securities* - AFS securities are held at fair value on the consolidated balance sheets, with unrealized gains and losses, net of allowances for expected credit losses, generally reflected in accumulated other comprehensive income (loss) (AOCI) on the consolidated balance sheets. Unrealized gains or losses relating to identified risks within AFS securities in fair value hedging relationships are reflected in investment related gains (losses) on the consolidated statements of income (loss).

*Trading Securities* - We elected the fair value option for certain fixed maturity securities. These fixed maturity securities are classified as trading, with changes to fair value included in investment related gains (losses) on the consolidated statements of income (loss). Although the securities are classified as trading, the trading activity related to these investments is primarily focused on asset and liability matching activities and is not intended to be an income strategy based on active trading. As such, the activity related to these investments on the consolidated statements of cash flows is classified as investing activities.

We generally record security transactions on a trade date basis, with any unsettled trades recorded in other assets or other liabilities on the consolidated balance sheets. Bank loans, private placements and investment funds are recorded on settlement date basis.

*Equity Securities* - Equity securities includes common stock, mutual funds and non-redeemable preferred stock. Equity securities with readily determinable fair values are carried at fair value with subsequent changes in fair value recognized in net income. We have elected to account for certain equity securities without readily determinable fair values that do not qualify for the practical expedient to estimate fair values based on net asset value (NAV) per share (or its equivalent) at cost less impairment, subject to adjustments based on observable price changes in orderly transactions for identical or similar investments of the same issuer.

*Purchased Credit Deteriorated (PCD) Investments* - We purchase certain structured securities, primarily RMBS, which upon our assessment have been determined to meet the definition of PCD investments. Additionally, structured securities classified as beneficial interests follow the initial measurement guidance for PCD investments if there is a significant difference between contractual cash flows adjusted for expected prepayments and expected cash flows at the date of recognition. The initial allowance for credit losses for PCD investments is recorded through a gross-up adjustment to the initial amortized cost. For structured securities classified as beneficial interests, the initial allowance is calculated as the present value of the difference between contractual cash flows adjusted for expected prepayments and expected cash flows at the date of recognition. The non-credit purchase discount or premium is amortized into investment income using the effective interest method. The credit discount, represented by the allowance for expected credit losses, is remeasured each period following the policies for measuring credit losses described in the *Credit Losses - Available-for-Sale Securities* section below.

*Mortgage Loans* - We elect the fair value option on our mortgage loan portfolio. Interest income is accrued on the principal amount of the loan based on its contractual interest rate. We accrue interest on loans until it is probable we will not receive interest, or the loan is 90 days past due unless guaranteed by US government-sponsored agencies. Interest income and prepayment fees are reported in net investment income on the consolidated statements of income (loss). Changes in the fair value of the mortgage loan portfolio are reported in investment related gains (losses) on the consolidated statements of income (loss). Intercompany mortgage loans are held at amortized cost.

*Investment Funds* - We invest in certain non-fixed income, alternative investments in the form of limited partnerships or similar legal structures (investment funds). For investment funds in which we do not hold a controlling financial interest, and therefore are not required to consolidate, we typically account for these investments using the equity method, where the cost is recorded as an investment in the fund, or we have elected the fair value option. Adjustments to the carrying amount reflect our pro rata ownership percentage of the operating results as indicated by NAV in the investment fund financial statements, which can be on a lag of up to three months when investee information is not received in a timely manner.

We record our proportionate share of investment fund income within net investment income, or, for consolidated VIEs, investment related gains (losses), on the consolidated statements of income (loss). Contributions paid or distributions received by us are recorded directly to the investment fund balance as an increase to carrying value or as a return of capital, respectively.

*Policy Loans* - Policy loans are funds provided to policyholders in return for a claim on the policyholder's account balance. The funds provided are limited to a specified percentage of the account balance. The majority of policy loans do not have a stated maturity and the balances and accrued interest are repaid with proceeds from the policyholder's account balance. Policy loans are reported at the unpaid principal balance. Interest income is recorded as earned using the contract interest rate and is reported in net investment income on the consolidated statements of income (loss).

*Funds Withheld at Interest* - Funds withheld at interest represents a receivable for amounts contractually withheld by ceding companies in accordance with funds withheld coinsurance (funds withheld) and modified coinsurance (modco) reinsurance agreements in which we are the reinsurer. Generally, assets equal to statutory reserves are withheld and legally owned by the ceding company, and any excess or shortfall is settled periodically. The underlying agreements contain embedded derivatives as discussed below.

*Short-term Investments* - Short-term investments consist of financial instruments with maturities of greater than three months but less than twelve months when purchased. Short-term debt securities are accounted for as trading or AFS consistent with our policies for those investments. Short-term loans are carried at amortized cost. Fair values are determined consistent with methodologies described in *Note 7 – Fair Value* for the respective investment type.

*Other Investments* - Other investments include, but are not limited to, term loans collateralized by mortgages on residential and commercial real estate and other uncollateralized loans. Effective January 1, 2022, we elected the fair value option on these loans.

Interest income is accrued on the principal amount of the loan based on its contractual interest rate. We accrue interest on loans until it is probable we will not receive interest or the loan is 90 days past due. We recorded amortization of premiums and discounts using the effective interest method and contractual cash flows on the underlying loan. Interest income, amortization of premiums and discounts, and prepayment and other fees are included in net investment income on the consolidated statements of income (loss). Changes in fair value are included in investment related gains (losses) on the consolidated statements of income (loss).

*Securities Repurchase and Reverse Repurchase Agreements* - Securities repurchase and reverse repurchase transactions involve the temporary exchange of securities for cash or other collateral of equivalent value, with agreement to redeliver a like quantity of the same or similar securities at a future date and at a fixed and determinable price. We evaluate transfers of securities under these agreements to repurchase or resell to determine whether they satisfy the criteria for accounting treatment as secured borrowing or lending arrangements. Agreements not meeting the criteria would require recognition of the transferred securities as sales or purchases, with related forward repurchase or resale commitments. All of our securities repurchase transactions are accounted for as secured borrowings and are included in payables for collateral on derivatives and securities to repurchase on the consolidated balance sheets. Earnings from investing activities related to the cash received under our securities repurchase arrangements are included in net investment income on the consolidated statements of income (loss). The associated borrowing cost is included in policy and other operating expenses on the consolidated statements of income (loss). The investments purchased in reverse repurchase agreements, which represent collateral on a secured lending arrangement, are not reflected in our consolidated balance sheets; however, the secured lending arrangement is recorded as a short-term investment for the principal amount loaned under the agreement.

*Investment Income* - We recognize investment income as it accrues or is legally due, net of investment management and custody fees. Investment income on fixed maturity securities includes coupon interest, as well as the amortization of any premium and the accretion of any discount. Investment income on equity securities represents dividend income and preferred coupon interest. Realized gains and losses on sales of investments are included in investment related gains (losses) on the consolidated statements of income (loss). Realized gains and losses on investments sold are determined based on a first-in first-out method.

*Credit Losses - Assets Held at Amortized Cost and Off-Balance Sheet Credit Exposures* – We establish an allowance for expected credit losses at the time of purchase for assets held at amortized cost, which primarily includes certain loans and reinsurance assets. The allowance for expected credit losses represents the portion of the asset's amortized cost basis that we do not expect to collect due to credit losses over the asset's contractual life, considering past events, current conditions, and reasonable and supportable forecasts of future economic conditions or macroeconomic forecasts. We use a quantitative probability of default and loss given default methodology to develop our estimate of expected credit loss. We develop the estimate on a collective basis factoring in the risk characteristics of the assets in the portfolio. If an asset does not share similar risk characteristics with other assets, the asset is individually assessed.

Allowance estimates are highly dependent on expectations of future economic conditions and macroeconomic forecasts, which involve significant judgment and subjectivity. We use quantitative modeling to develop the allowance for expected credit losses. Key inputs into the model include data pertaining to the characteristics of the assets, historical losses and current market conditions. Additionally, the model incorporates management’s expectations around future economic conditions and macroeconomic forecasts over a reasonable and supportable forecast period, after which the model reverts to historical averages. These inputs, the reasonable and supportable forecast period, and reversion to historical average technique are subject to a formal governance and review process by management. Additionally, management considers qualitative adjustments to the model output to the extent that any relevant information regarding the collectability of the asset is available and not already considered in the quantitative model. If we determine that a financial asset has become collateral dependent, which we determine to be the point at which foreclosure is probable, the allowance is measured as the difference between amortized cost and the fair value of the collateral, less any expected costs to sell.

The initial allowance for assets held at amortized cost other than for PCD investments, and subsequent changes in the allowance including PCD investments, are recorded through the provision for credit losses within investment related gains (losses) on the consolidated statements of income (loss). The provision for credit losses for reinsurance assets held at amortized cost is recorded through policy and other operating expenses on the consolidated statements of income (loss).

We limit accrued interest income on loans to 90 days of interest. Once a loan becomes 90 days past due, the loan is put on non-accrual status and any accrued interest is written off. Once a loan is on non-accrual status, we first apply any payments received to the principal of the loan, and once the principal is repaid, we include amounts received in net investment income. We have elected to present accrued interest receivable separately in accrued investment income on the consolidated balance sheets. We have also elected the practical expedient to exclude the accrued interest receivable from the amortized cost balance used to calculate the allowance given our policy to write off such balances in a timely manner. Any write-off of accrued interest is recorded through a reversal of net investment income on the consolidated statements of income (loss).

Upon determining that all or a portion of the amortized cost of an asset is uncollectible, which is generally when all efforts for collection are exhausted, the amortized cost is written off against the existing allowance. Any write off in excess of the existing allowance is recorded through credit loss expense within investment related gains (losses) on the consolidated statements of income (loss).

We also have certain off-balance sheet credit exposures for which we establish a liability for expected credit losses. These exposures primarily relate to commitments to fund commercial or residential mortgage loans that are not unconditionally cancellable. The methodology for estimating the liability for these credit exposures is consistent with that described above, with the additional consideration pertaining to the probability of funding. At the time the commitment expires or is funded, the liability is reversed and an allowance for expected credit losses is established, as applicable. The liability for off-balance sheet credit exposures is included in other liabilities on the consolidated balance sheets. The establishment of the initial liability and all subsequent changes are recorded through the provision for credit losses within investment related gains (losses) on the consolidated statements of income (loss).

*Credit Losses - Available-for-Sale Securities* – We evaluate AFS securities with a fair value that has declined below amortized cost to determine how the decline in fair value should be recognized. If we determine, based on the facts and circumstances related to the specific security, that we intend to sell a security or it is more likely than not that we would be required to sell a security before the recovery of its amortized cost, any existing allowance for expected credit losses is reversed and the amortized cost of the security is written down to fair value. If neither of these conditions exist, we evaluate whether the decline in fair value has resulted from a credit loss or other factors.

For non-structured AFS securities, we qualitatively consider relevant facts and circumstances in evaluating whether a decline below fair value is credit-related. Relevant facts and circumstances include but are not limited to: (1) the extent to which the fair value is less than amortized cost; (2) changes in agency credit ratings, (3) adverse conditions related to the security's industry or geographical area, (4) failure to make scheduled payments, and (5) other known changes in the financial condition of the issuer or quality of any underlying collateral or credit enhancements. For structured AFS securities meeting the definition of beneficial interests, the qualitative assessment is bypassed, and any securities having experienced a decline in fair value below amortized cost move directly to a quantitative analysis.

If upon completion of this analysis it is determined that a potential credit loss exists, an allowance for expected credit losses is established equal to the amount by which the present value of expected cash flows is less than amortized cost, limited by the amount by which fair value is less than amortized cost. A non-structured security's cash flow estimates are derived from scenario-based outcomes of expected corporate restructurings or the disposition of assets using security-specific facts and circumstances including timing, security interests and loss severity. A structured security's cash flow estimates are based on security-specific facts and circumstances that may include collateral characteristics, expectations of delinquency and default rates, loss severity, prepayments and structural support, including subordination and guarantees. The expected cash flows are discounted at the effective interest rate implicit to the security at the date of purchase or the current yield to accrete a structured security. For securities with a contractual interest rate that varies based on changes in an independent factor, such as an index or rate, the effective interest rate is calculated based on the factor as it changes over the life of the security. Inherently under the discounted cash flow model, both the timing and amount of expected cash flows affect the measurement of the allowance for expected credit losses.

The allowance for expected credit losses is remeasured each period for the passage of time, any change in expected cash flows, and changes in the fair value of the security. All impairments, whether intent or requirement to sell or credit-related, are recorded through a charge to the provision for credit losses within investment related gains (losses) on the consolidated statements of income (loss). All changes in the allowance for expected credit losses are recorded through the provision for credit losses within investment related gains (losses) on the consolidated statements of income (loss).

We have elected to present accrued interest receivable separately in accrued investment income on the consolidated balance sheets. We have also elected the practical expedient to exclude the accrued interest receivable from the amortized cost balance used to calculate the allowance for expected credit losses, as we have a policy to write off such balances in a timely manner, when they become 90 days past due. Any write-off of accrued interest is recorded through a reversal of net investment income on the consolidated statements of income (loss).

Upon determining that all or a portion of the amortized cost of an asset is uncollectible, which is generally when all efforts for collection are exhausted, the amortized cost is written off against the existing allowance. Any write off in excess of the existing allowance is recorded through the provision for credit losses within investment related gains (losses) on the consolidated statements of income (loss).

**Derivative Instruments -** We invest in derivatives to hedge the risks experienced in our ongoing operations, such as equity, interest rate and cash flow risks, or for other risk management purposes, which primarily involve managing liability risks associated with our indexed annuity products and reinsurance agreements. Derivatives are financial instruments with values that are derived from interest rates, foreign exchange rates, financial indices or other combinations of an underlying and notional. Derivative assets and liabilities are carried at fair value on the consolidated balance sheets. We elect to present any derivatives subject to master netting provisions as a gross asset or liability and gross of collateral. Disclosures regarding balance sheets presentation of derivatives subject to master netting agreements are discussed in *Note 5 – Derivative Instruments*. We may designate derivatives as cash flow, fair value or net investment hedges.

*Hedge Documentation and Hedge Effectiveness* - To qualify for hedge accounting, at the inception of the hedging relationship, we formally document our designation of the hedge as a cash flow, fair value or net investment hedge and our risk management objective and strategy for undertaking the hedging transaction. In this documentation, we identify how the hedging instrument is expected to hedge the designated risks related to the hedged item and the method that will be used to retrospectively and prospectively assess the hedge effectiveness and the method which will be used to measure ineffectiveness. A derivative designated as a hedging instrument must be assessed as being highly effective in offsetting the designated risk of the hedged item. Hedge effectiveness is formally assessed at inception and periodically throughout the life of the hedge accounting relationship.

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For a cash flow hedge, all changes in the fair value of the hedging derivative are reported within AOCI and the related gains or losses on the derivative are reclassified into the consolidated statements of income (loss) when the cash flows of the hedged item affect earnings.

For a fair value hedge, changes in the fair value of the hedging derivative and changes in the fair value of the hedged item related to the designated risk being hedged are reported on the consolidated statements of income (loss) according to the nature of the risk being hedged. Additionally, changes in the fair value of amounts excluded from the assessment of effectiveness are recorded in AOCI and amortized into income over the life of the hedge accounting relationship.

For a net investment hedge, changes in the fair value of the hedging derivative are reported within AOCI to offset the translation adjustments for subsidiaries with functional currencies other than US dollar.

We discontinue hedge accounting prospectively when: (1) we determine the derivative is no longer highly effective in offsetting changes in the estimated cash flows or fair value of a hedged item; (2) the derivative expires, is sold, terminated, or exercised; or (3) the derivative is de-designated as a hedging instrument. When hedge accounting is discontinued, the derivative continues to be carried on the consolidated balance sheets at fair value, with changes in fair value recognized in investment related gains (losses) on the consolidated statements of income (loss).

For a derivative not designated as a hedge, changes in the derivative's fair value and any income received or paid on derivatives at the settlement date are included in investment related gains (losses) on the consolidated statements of income (loss).

*Embedded Derivatives* - We issue and reinsure products, primarily indexed annuity products, or purchase investments that contain embedded derivatives. If we determine the embedded derivative has economic characteristics not clearly and closely related to the economic characteristics of the host contract, and a separate instrument with the same terms would qualify as a derivative instrument, the embedded derivative is bifurcated from the host contract and accounted for separately, unless the fair value option is elected on the host contract. Under the fair value option, bifurcation of the embedded derivative is not necessary as the entire contract is carried at fair value with all related gains and losses recognized in investment related gains (losses) on the consolidated statements of income (loss). Embedded derivatives are carried on the consolidated balance sheet at fair value in the same line item as the host contract.

Fixed indexed annuity, index-linked variable annuity and indexed universal life insurance contracts allow the policyholder to elect a fixed interest rate return or an equity market component for which interest credited is based on the performance of certain equity market indices. The equity market option is an embedded derivative. The benefit reserve is equal to the sum of the fair value of the embedded derivative and the host (or guaranteed) component of the contracts. The fair value of the embedded derivatives represents the present value of cash flows attributable to the indexed strategies. The embedded derivative cash flows are based on assumptions for future policy growth, which include assumptions for expected index credits on the next policy anniversary date, future equity option costs, volatility, interest rates and policyholder behavior assumptions including lapses and the use of benefit riders. The embedded derivative cash flows are discounted using a rate that reflects our own credit rating. The host contract is established at contract inception as the initial account value less the initial fair value of the embedded derivative and accreted over the policy's life. Contracts acquired through a business combination which contain an embedded derivative are re-bifurcated as of the acquisition date. Changes in the fair value of embedded derivatives associated with fixed indexed annuities, index-linked variable annuities and indexed universal life insurance contracts are included in interest sensitive contract benefits on the consolidated statements of income (loss).

Additionally, reinsurance agreements written on a funds withheld or modco basis contain embedded derivatives. We have determined that the right to receive or obligation to pay the total return on the assets supporting the funds withheld at interest or funds withheld liability, respectively, represents a total return swap with a floating rate leg. The fair value of embedded derivatives on funds withheld and modco agreements is computed as the unrealized gain (loss) on the underlying assets and is included within funds withheld at interest for assumed agreements, and for ceded agreements the funds withheld liability is included in other liabilities on the consolidated balance sheets. The change in the fair value of the embedded derivatives is recorded in investment related gains (losses) on the consolidated statements of income (loss). Assumed and ceded earnings from funds withheld at interest, funds withheld liability and changes in the fair value of embedded derivatives are reported in operating activities on the consolidated statements of cash flows. Contributions to and withdrawals from funds withheld at interest and funds withheld liability are reported in operating activities on the consolidated statements of cash flows.

**Variable Interest Entities -** An entity that does not have sufficient equity to finance its activities without additional financial support, or in which the equity investors, as a group, do not have the characteristics typically afforded to common shareholders is a VIE. The determination as to whether an entity qualifies as a VIE depends on the facts and circumstances surrounding each entity and may require significant judgment. Our investment funds typically qualify as VIEs and are evaluated for consolidation under the VIE model.

We are required to consolidate a VIE if we are the primary beneficiary, defined as the variable interest holder with both the power to direct the activities that most significantly impact the VIE's economic performance and rights to receive benefits or obligations to absorb losses that could be potentially significant to the VIE. We determine whether we are the primary beneficiary of an entity based on a qualitative assessment of the VIE's capital structure, contractual terms, nature of the VIE's operations and purpose and our relative exposure to the related risks of the VIE. Since affiliates of AGM, a related party under common control, are the decision makers in certain of the investment funds and securitization vehicles, we and a member of our related party group may together have the characteristics of the primary beneficiary of an investment fund. In this situation, we have concluded we consolidate the VIE when we have significant economic exposure to the entity. We reassess the VIE and primary beneficiary determinations on an ongoing basis.

For entities that we do not consolidate but can exercise significant influence over the entities' operating and financing decisions, we record our investment under the equity method. If we do not consolidate and do not have significant influence, generally on investment funds in which we own a less than 3% interest, we elect the fair value option.

See *Note 6 – Variable Interest Entities* for discussion of our interest in entities that meet the definition of a VIE.

**Goodwill -** Goodwill represents the excess of cost over the fair value of identifiable net assets of an acquired business. Goodwill is tested annually for impairment or more frequently if circumstances indicate impairment may have occurred. The impairment test is performed at the reporting unit level. Goodwill on the consolidated balance sheets includes the impacts of foreign currency translation.

We performed our annual goodwill impairment test as of October 1, 2023 and did not identify any impairment. See *Note 3 – Business Combination* for disclosure regarding the goodwill recorded related to AHL's merger with AGM.

**Reinsurance -** We assume or cede insurance and investment contracts under coinsurance, funds withheld, modco and yearly renewable term basis. We follow reinsurance accounting for transactions that provide indemnification against loss or liability relating to insurance risk (risk transfer). To meet risk transfer requirements, a reinsurance agreement must transfer insurance risk arising from uncertainties about both underwriting and timing risks. Cessions under reinsurance do not discharge our obligations as the primary insurer, unless the requirements of assumption reinsurance have been met. We generally have the right of offset on reinsurance contracts, but have elected to present reinsurance settlement amounts due to and from us on a gross basis.

For assets and liabilities ceded under reinsurance agreements, we generally apply the same measurement guidance for our directly issued or assumed contracts. Ceded amounts are recorded within reinsurance recoverable on the consolidated balance sheets. Effective January 1, 2022, for reinsurance of in-force contracts that pass risk transfer, the issue year used for the purpose of measuring the reinsurance recoverable is dependent on the effective date of the reinsurance agreement, which may differ from the issue year for the direct or assumed contract. The issue year informs the locked-in discount rate used for the purposes of interest accretion. This may result in different discount rates used for the direct or assumed reserves and ceded reserves when reinsuring an in-force block of insurance contracts. For flow reinsurance of insurance contracts that pass risk transfer, the contracts have the same cash flow assumptions as the direct or assumed contracts when the terms are consistent between those respective contracts and the ceded reinsurance agreement. When we recognize an immediate loss due to the present value of future benefits and expenses exceeding the present value of future gross premiums, a gain is recognized on the corresponding reinsurance recoverable to the extent it does not result in gain recognition at treaty inception. Likewise, where the direct or assumed reserve has been floored to zero, the corresponding reinsurance recoverable will be consistently set to zero. See *Future Policy Benefits* below for further information.

For all periods, accounting for reinsurance requires the use of assumptions, particularly related to the future performance of the underlying business and the potential impact of counterparty credit risks. We attempt to minimize our counterparty credit risk through the structuring of the terms of our reinsurance agreements, including the use of trusts, and monitor credit ratings of counterparties for signs of declining credit quality. When a ceding company does not report information on a timely basis, we record accruals based on the best available information at the time, which includes the reinsurance agreement terms and historical experience. We periodically compare actual and anticipated experience to the assumptions used to establish reinsurance assets and liabilities. See *Note 8 – Reinsurance* for more information.

Assets and liabilities assumed or ceded under coinsurance, funds withheld, modco or yearly renewable term are presented gross on the consolidated balance sheets. For investment contracts, the change in the direct or assumed and ceded reserves are presented net in interest sensitive contract benefits on the consolidated statements of income (loss). For insurance contracts, the change in the direct or assumed and ceded reserves and benefits are presented net in future policy and other policy benefits on the consolidated statements of income (loss), except from January 1, 2022, any changes related to the discount rate are presented net in other comprehensive income (loss) (OCI) on the consolidated statements of comprehensive income (loss). Also effective from January 1, 2022, for market risk benefits, the change in the direct or assumed and ceded reserves are presented net in market risk benefits remeasurement (gains) losses on the consolidated statements of income (loss), except for changes related to instrument-specific credit risk on direct and assumed contracts which are presented net in OCI on the consolidated statements of comprehensive income (loss).

For the reinsurance of existing in-force blocks that transfer significant insurance risk, the difference between the assets received or paid and the liabilities assumed or ceded represents the net cost of reinsurance at the inception of the reinsurance agreement. The net cost of reinsurance is amortized on a basis consistent with the methodologies and assumptions used to amortize deferred acquisition costs (DAC) and deferred sales inducements (DSI), or on a consistent basis with deferred profit liability dependent upon the nature of the underlying contract.

**Cash and Cash Equivalents -** Cash and cash equivalents include deposits and short-term highly liquid investments with an original maturity of less than 90 days from the date of acquisition. Amounts included are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value.

**Restricted Cash -** Restricted cash primarily consists of cash and cash equivalents held in funds in trust as part of certain coinsurance agreements to secure statutory reserves and liabilities of the coinsured parties. Restricted cash is reported separately on the consolidated balance sheets, but is included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period amounts shown on the consolidated statements of cash flows.

**Investments in Related Parties -** Investments in related parties and associated earnings, other comprehensive income and cash flows are separately identified on the consolidated financial statements and accounted for consistently with the policies described above for each category of investment. Investments in related parties are primarily comprised of investments over which Apollo can exercise significant influence.

**Deferred Acquisition Costs, Deferred Sales Inducements and Value of Business Acquired**

*Deferred Acquisition Costs and Deferred Sales Inducements* - Costs related directly to the successful acquisition of new, or renewal of existing, insurance or investment contracts are deferred. These costs consist of commissions and policy issuance costs, as well as sales inducements credited to policyholder account balances, and are included in deferred acquisition costs, deferred sales inducements and value of business acquired on the consolidated balance sheets. These costs are not capitalized until they are incurred.

Effective January 1, 2022, deferred costs related to universal life-type policies and investment contracts with significant revenue streams from sources other than investment of the policyholder funds are grouped into cohorts based on issue year and contract type and amortized on a constant level basis over the expected term of the related contracts. The cohorts and assumptions used for the amortization of deferred costs are consistent with those used in estimating the related liabilities for these contracts. The constant level basis generally is the initial premium or deposit and is projected based on assumptions related to policyholder behavior, including lapses and mortality, over the expected term of the contracts. Each reporting period, we replace expected experience with actual experience to determine the related amortization expense. Changes to projected experience are recognized in amortization expense prospectively over the remaining contract term. Amortization of DAC and DSI is included in amortization of deferred acquisition costs, deferred sales inducements and value of business acquired on the consolidated statements of income (loss).

Prior to January 1, 2022, deferred costs related to universal life-type policies and investment contracts with significant revenue streams from sources other than investment of the policyholder funds were amortized over the lives of the policies, based upon the proportion of the present value of actual and expected deferred costs to the present value of actual and expected gross profits to be earned over the life of the policies. Gross profits included investment spread margins, surrender charge income, policy administration charges and expenses, changes in the guaranteed lifetime withdrawal benefit (GLWB) and guaranteed minimum death benefit (GMDB) reserves and realized gains and losses on investments. Current period gross profits for fixed indexed annuities also included the change in fair value of both freestanding and embedded derivatives. Estimates of the expected gross profits and margins were based on assumptions using accepted actuarial methods related to policyholder behavior, including lapses and the utilization of benefit riders, mortality, yields on investments supporting the liabilities, future interest credited amounts (including indexed related credited amounts on fixed indexed annuity products), and other policy changes as applicable, and the level of expenses necessary to maintain the policies over their expected lives. Each reporting period, we updated estimated gross profits with actual gross profits as part of the amortization process and adjusted the DAC and DSI balances due to the OCI effects of unrealized investment gains and losses on AFS securities. We also periodically revised the key assumptions used in the amortization calculation, which resulted in revisions to the estimated future gross profits. The effects of changes in assumptions were recorded as unlocking in the period in which the changes were made. We performed periodic tests, including at issuance, to determine if the deferred costs were recoverable. If we determined that the deferred costs were not recoverable, we recorded a cumulative charge to the current period.

Deferred costs related to investment contracts without significant revenue streams from sources other than investment of the policyholder funds are amortized using the effective interest method. The effective interest method amortizes the deferred costs by discounting the future liability cash flows at a break-even rate. The break-even rate is solved for such that the present value of future liability cash flows is equal to the net liability at the inception of the contract. The deferred costs represent the difference between the net and gross liability and the change relates to amortization for the period.

*Value of Business Acquired* - We establish VOBA for blocks of insurance contracts acquired through the acquisition of insurance entities and through application of pushdown accounting. We record the fair value of the liabilities assumed in two components: reserves and VOBA. Reserves are established using our best estimate assumptions as of the business combination date. VOBA is the difference between the fair value of the liabilities and the reserves. VOBA can be either positive or negative and is amortized in relation to respective policyholder liabilities. Significant assumptions that impact VOBA amortization are consistent with those that impact the measurement of policyholder liabilities. We perform periodic tests to determine if positive VOBA remains recoverable. If we determine that positive VOBA is not recoverable, we would record a cumulative charge to the current period. Any negative VOBA is recorded to the same financial statement line on the consolidated balance sheets as the associated reserves. Positive VOBA is recorded in deferred acquisition costs, deferred sales inducements and value of business acquired on the consolidated balance sheets.

Prior to the application of pushdown accounting, VOBA associated with investment contracts without significant revenue streams from sources other than investment of the policyholder funds was amortized using the effective interest method. VOBA associated with immediate annuity contracts classified as long duration contracts was amortized at a constant rate in relation to net policyholder liabilities. For universal life-type policies and investment contracts with significant revenue streams from sources other than investment of policyholder funds, VOBA was amortized in relation to the present value of estimated gross profits using methods consistent with those used to amortize DAC and DSI. Negative VOBA was amortized at a constant rate in relation to applicable net policyholder liabilities.

See *Note 9 – Deferred Acquisition Costs, Deferred Sales Inducements and Value of Business Acquired* for further information.

**Interest Sensitive Contract Liabilities -** Universal life-type policies and investment contracts include traditional deferred annuities, indexed annuities consisting of fixed indexed and index-linked variable annuities in the accumulation phase, funding agreements, immediate annuities without significant mortality risk (which include pension group annuities without life contingencies), universal life insurance, and other investment contracts inclusive of assumed endowments without significant mortality risk. We carry liabilities for traditional deferred annuities, indexed annuities, funding agreements and universal life insurance at the account balances without reduction for potential surrender or withdrawal charges, except for a block of universal life business ceded to Global Atlantic Financial Group Limited (together with its subsidiaries, Global Atlantic), which we carry at fair value. Liabilities for immediate annuities without significant mortality risk are calculated as the present value of future liability cash flows and policy maintenance expenses discounted at contractual interest rates. For a discussion regarding our indexed products, refer above to the embedded derivative discussion. Effective January 1, 2022, certain of our contracts are offered with additional contract features that meet the definition of a market risk benefit. See *–Market Risk Benefits* below for further information.

Unearned revenue liabilities are established when amounts are assessed against the policyholder for services to be provided in future periods. These balances are amortized consistent with the methodologies and assumptions used to amortize DAC and DSI.

Changes in the interest sensitive contract liabilities, excluding deposits and withdrawals, are recorded in interest sensitive contract benefits or product charges on the consolidated statements of income (loss). Interest sensitive contract liabilities are not reduced for amounts ceded under reinsurance agreements which are reported as reinsurance recoverable on the consolidated balance sheets. See the reinsurance accounting policy discussed in *–Reinsurance* above and *Note 8 – Reinsurance* for more information on reinsurance.

**Future Policy Benefits -** We issue contracts classified as long-duration, which include term and whole life, accident and health, disability, and deferred and immediate annuities with life contingencies (which include pension group annuities with life contingencies).

Effective January 1, 2022, liabilities for nonparticipating long-duration contracts are established as the estimated present value of benefits we expect to pay to or on behalf of the policyholder and related expenses less the present value of the net premiums to be collected, referred to as the net premium ratio. The contracts are grouped into cohorts based on issue year and contract type, with an exception for pension group annuities, which are generally assessed at the group annuity contract level. Contracts with different issuance years are not combined. Contracts acquired in a business combination are grouped into a single cohort by contract type, except for pension group annuities, which follow the group annuity contract level.

Liabilities for nonparticipating long-duration contracts are established using accepted actuarial valuation methods which require the use of assumptions related to discount rate, expenses, longevity, mortality, morbidity, persistency and other policyholder behavior. We base certain key assumptions, such as longevity, mortality and morbidity, on industry standard data adjusted to align with actual company experience, if needed. We have elected to use expense assumptions that are locked in at issuance for each cohort. All other cash flow assumptions are established at contract issuance and reviewed annually or more frequently if actual experience suggests a revision is necessary. The effects of changes in cash flow assumptions impacting the net premium ratio are recorded as remeasurement changes in the period in which they are made. As cash flow assumptions are reviewed at least annually, there is no provision for adverse deviation included within the liability.

Actual experience is recognized in the period in which the experience arises. Actual experience is then incorporated into the net premium ratio for all products and cohorts on a quarterly basis. When the net premium ratio is revised, whether to incorporate actual experience each reporting period or for the review of cash flow assumptions, the liability is recalculated as of the beginning of the period, discounted at the original contract issuance discount rate, and compared with the carrying amount of the liability as of the same date to determine the current period change. The current period change in the liability is recognized as a remeasurement gain or loss.

To the extent the present value of future benefits and expenses exceeds the present value of gross premiums, we will cap the net premium ratio at 100% by increasing the corresponding liability and recognizing an immediate loss through the consolidated statements of income (loss). The liability is never recorded at an amount less than zero for the cohort.

The liability for nonparticipating long-duration contracts is discounted using an upper-medium grade fixed income instrument yield aligned to the characteristics of the liability, including the duration and currency of the underlying cash flows. In determining reference portfolio of instruments, we have used a single A equivalent level rate and maximized the use of observable data to the extent possible for the duration of our liabilities. The discount rate is required to be updated at the end of each reporting period for the remeasurement of the liability but is locked-in for each cohort for the purpose of interest accretion expense.

Changes in the value of the liability for nonparticipating long-duration contracts due to changes in the discount rate are recognized as a component of OCI on the consolidated statements of comprehensive income (loss). Changes in the liability for the remeasurement gains or losses and all other changes in the liability are recorded in future policy and other policy benefits on the consolidated statements of income (loss).

Prior to January 1, 2022, liabilities for nonparticipating long-duration contracts were established using accepted actuarial valuation methods which required the use of assumptions related to expenses, investment yields, longevity, mortality, morbidity, and persistency, with a provision for adverse deviation, at the date of issue or acquisition. We based other key assumptions, such as longevity, mortality, and morbidity, on industry standard data adjusted to align with actual company experience, if necessary.

The assumptions were locked in at contract inception and only modified if we deemed the reserves to be inadequate. We periodically reviewed actual and anticipated experience compared to the assumptions used to establish policy benefits. If the net US GAAP liability (gross reserves less DAC, DSI and VOBA) was less than the gross premium liability, impairment was deemed to have occurred, and the DAC, DSI and VOBA asset balances were reduced until the net US GAAP liability was equal to the gross premium liability. If the DAC, DSI and VOBA asset balances were completely written off and the net US GAAP liability was still less than the gross premium liability, then an additional liability was recorded to arrive at the gross premium liability.

For all periods, future policy benefits include liabilities for no-lapse guarantees on universal life insurance and fixed indexed universal life insurance. We establish future policy benefits for no-lapse guarantees by estimating the expected value of death benefits paid after policyholder account balances have been exhausted. We recognize these benefits proportionally over the life of the contracts based on total actual and expected assessments. The methods we use to estimate the liabilities have assumptions about policyholder behavior, mortality, expected yield on investments supporting the liability and market conditions affecting policyholder account balance growth. Prior to January 1, 2022, our issued and reinsured deferred annuity contracts which contained GLWB and GMDB riders were reserved for in a similar manner by estimating the expected value of withdrawal and death benefits in excess of the projected account balances. The assumptions required were the same but also included estimates regarding the utilization of benefit riders.

For the liabilities associated with no-lapse guarantees and prior to January 1, 2022 for GLWB and GMDB riders, each reporting period we update expected excess benefits and assessments with actual excess benefits and assessments and adjust the liability balances due to the OCI effects of unrealized investment gains and losses on AFS securities. We also periodically revise the key assumptions used in the calculation of the liabilities that result in revisions to the expected excess benefits and assessments. The effects of changes in assumptions are recorded as unlocking in the period in which the changes are made. Changes in the liabilities associated with no-lapse guarantees and prior to January 1, 2022 for GLWB and GMDB riders, other than the adjustment for the OCI effects of unrealized investment gains and losses on AFS securities, are recorded in future policy and other policy benefits on the consolidated statements of income (loss).

Future policy benefits are not reduced for amounts ceded under reinsurance agreements which are reported as reinsurance recoverable on the consolidated balance sheets. See the reinsurance accounting policy discussed in *–Reinsurance* above and *Note 8 – Reinsurance* for more information on reinsurance.

**Market Risk Benefits -** Market risk benefits represent contracts or contract features that both provide protection to the contract holder from, and expose the insurance entity to, other-than-nominal capital market risk. Our deferred annuity contracts contain GLWB and GMDB riders that meet the criteria for, and are classified as, market risk benefits.

Market risk benefits are measured at fair value at the contract level and may be recorded as a liability or an asset, which are included in market risk benefits or other assets, respectively, on the consolidated balance sheets. Multiple market risk benefits on a contract are treated as a single, compound market risk benefit. At contract inception, we assess the fees and assessments that are collectible from the policyholder and allocate them to the extent they are attributable to the market risk benefit. These attributed fees are used in the valuation of the market risk benefits and are never negative or exceed total explicit fees collectible from the policyholder. If the fees are sufficient to cover the projected benefits, a non-option based valuation model is used. If the fees are insufficient to cover the projected benefits, an option-based valuation model is used to compute the market risk benefit liability at contract inception, with an equal and offsetting adjustment recognized in interest sensitive contract liabilities.

Changes in fair value of market risk benefits are recorded in market risk benefits remeasurement (gains) losses on the consolidated statements of income (loss), excluding portions attributed to changes in instrument-specific credit risk, which are recorded in OCI on the consolidated statements of comprehensive income (loss). Market risk benefits are not reduced for market risk benefits ceded under reinsurance agreements. Ceded market risk benefits are measured at fair value and recorded within reinsurance recoverable on the consolidated balance sheets. See the reinsurance accounting policy discussed in *–Reinsurance* above and *Note 8 – Reinsurance* for more information on reinsurance.

Upon annuitization of the contract or the extinguishment of the account balance, the market risk benefit, related annuity contract and unamortized deferred costs are derecognized, including amounts within AOCI. A payout annuity is then established for GLWBs.

**Closed Block Business -** We established closed blocks of policies in connection with the reorganization of two predecessor subsidiaries from mutual companies to stock companies, collectively referred to as the Closed Blocks, and individually referred to as the AmerUs Life Insurance Company (AmerUs) closed block (AmerUs Closed Block) and the Indianapolis Life Insurance Company (ILICO) closed block (ILICO Closed Block). Insurance policies which had a dividend scale in effect as of each closed block establishment date were included in the respective closed block. The Closed Blocks were designed to give reasonable assurance to owners of insurance policies included therein that, after the reorganization, assets would be available to maintain the dividend scales and interest credits in effect prior to the reorganization, if the experience underlying such scales and crediting continued. The assets, including related revenue, allocated to the Closed Blocks will accrue solely to the benefit of the policyholders included in the Closed Blocks until they no longer exist. A policyholder dividend obligation is required to be established for earnings in the Closed Blocks that are not available to the shareholders. We elected the fair value option for the AmerUs Closed Block and the ILICO Closed Block. See *Note 11 – Closed Block* for more information on the Closed Blocks.

**Foreign Currency -** The accounts of foreign-based subsidiaries and equity method investments are measured using their functional currency. Revenue and expenses of these subsidiaries are translated into US dollars at the average exchange rate for the period. Assets and liabilities are translated at the exchange rate as of the end of the reporting period. For the equity method investments, our proportionate share of the investee's income is translated into US dollars at the average exchange rate for the period and our investment is translated using the exchange rate as of the end of the reporting period. The resulting translation adjustments are included in equity as a component of AOCI. Gains or losses arising from transactions denominated in a currency other than the functional currency of the entity that is party to the transaction are included in net income. The impacts of any non-US dollar denominated AFS securities are included in AOCI along with the change in its fair value unless in a fair value hedging relationship as discussed in *–Derivative Instruments* above.

**Recognition of Revenues and Related Expenses -** Revenues for universal life-type policies and investment contracts, including surrender and market value adjustments, costs of insurance, policy administration, GMDB, GLWB and no-lapse guarantee charges, are earned when assessed against policyholder account balances during the period. Interest credited to policyholder account balances and the change in fair value of embedded derivatives within fixed indexed annuity contracts is included in interest sensitive contract benefits on the consolidated statements of income (loss).

Premiums for long-duration contracts, including products with fixed and guaranteed premiums and benefits, are recognized as revenue when due from policyholders. When premiums are due over a significantly shorter period than the period over which benefits are provided, a deferred profit liability is established equal to the excess of the gross premium over the net premium. The deferred profit liability is recognized in future policy benefits on the consolidated balance sheets and amortized into income in relation to either applicable policyholder liabilities for immediate annuities with life contingencies (which includes pension group annuities) or insurance in-force for whole life products through future policy and other policy benefits on the consolidated statements of income (loss).

Effective January 1, 2022, when the net premium ratio for the corresponding future policy benefit is updated for actual experience and changes to projected cash flow assumptions, the deferred profit liability is retrospectively recalculated from the contract issuance date through the beginning of the current reporting period. The revised deferred profit liability is compared to the beginning of the period carrying amount to determine the change to be recognized as a remeasurement gain or loss within future policy and other policy benefits on the consolidated statements of income (loss). Unlike the related future policy benefit, the deferred profit liability will not be remeasured for changes in discount rates each reporting period. Negative VOBA balances associated with payout contracts involving life contingencies, including pension group annuities, are accounted for in a manner similar to the deferred profit liability.

All insurance related revenue is reported net of reinsurance ceded.

**Income Taxes -** We compute income taxes using the asset and liability method, under which deferred income taxes are provided for the temporary differences between the financial statement carrying amounts and the tax basis of our assets and liabilities using estimated tax rates expected to be in effect for the year in which the differences are expected to reverse. Such temporary differences are primarily due to the tax basis of reserves, DAC, VOBA, unrealized investment gains/losses, reinsurance related differences, embedded derivatives and net operating loss carryforwards. Changes in deferred income tax assets and liabilities associated with components of OCI are recorded directly to OCI.

Deferred income taxes related to investments in our corporate foreign subsidiaries are computed using an outside basis approach. We record deferred taxes for those components of the outside basis difference, which are expected to reverse in the foreseeable future, without limitation to the overall outside basis difference. We evaluate the likelihood of realizing the benefit of our deferred tax assets and may record a valuation allowance if, based on all available evidence, we determine that it is more likely than not that some portion of the tax benefit will not be realized. We adjust the valuation allowance if, based on our evaluation, there is a change in the amount of deferred income tax assets that are deemed more-likely-than-not to be realized.

Changes in deferred tax assets and liabilities attributable to changes in enacted income tax rates are recorded through net income in the period of enactment. We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the relevant taxing authorities, based on the technical merits of our position. For those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority. We recognize any income tax interest and penalties in income tax expense.

We and certain of our subsidiaries are included in certain foreign and state consolidated or other tax groups with our parent AGM and its subsidiaries. We calculate the provision for income taxes by using a separate-return method. Under this method we are assumed to file a separate return with the tax authority, thereby reporting our taxable income or loss and paying the applicable tax to or receiving the appropriate refund from AGM. Our current provision is the amount of tax payable or refundable on the basis of a hypothetical current-year separate return. We provide deferred taxes on temporary differences and on any carryforwards that we could claim on our hypothetical return and assess the need for a valuation allowance on the basis of our projected separate-return results.

Any difference between the tax provision (or benefit) allocated to us under the separate-return method and payments to be made to (or received from) AGM for tax expense is treated as either a dividend or a capital contribution. Accordingly, the amount by which our tax liability under the separate-return method differs from the amount of tax liability ultimately settled as a result of using incremental expenses of AGM may be periodically settled as a dividend or capital contribution between AGM and us.

On December 27, 2023, the Government of Bermuda enacted the Corporate Income Tax Act 2023 ("Bermuda CIT"). Under US GAAP Accounting Standard Codification ("ASC") 740, the effects of new tax legislation must be recognized as a component of income tax expense in the period in which the law is enacted. Beginning in 2025, the Company and all its Bermuda subsidiaries will be included in the Bermuda Constituent Entity Group return of Athene Annuity Re, Ltd. ("AARe"). Opening deferred taxes were allocated to the Company and its Bermuda subsidiaries under the "benefits-for-loss" method. Under this method, the Company and all its Bermuda subsidiaries are assumed to file a separate return with the taxing authority, thereby reporting their opening tax benefit or expense as if the Company and its Bermuda subsidiaries were each a separate taxpayer, except that net operating losses (or other current or deferred tax attributes) are characterized as realized (or realizable) by the Company and its Bermuda subsidiaries when those tax attributes are realized (or realizable) by the consolidated return group, even if the Company or its Bermuda subsidiaries would not otherwise have realized the attributes on a stand-alone basis.

See *Note 14 – Income Taxes* for discussion on withholding taxes for undistributed earnings of subsidiaries.

**Recently Issued Accounting Pronouncements**

*Income Taxes - Improvements to Income Tax Disclosures (ASU 2023-09)*

The amendments in this update revise certain disclosures on income taxes including rate reconciliation, income taxes paid, and certain amendments on disaggregation by federal, state and foreign taxes. The guidance is effective for us for annual periods beginning in 2025. Early adoption is permitted. We are currently evaluating the impact of this guidance on our consolidated financial statements.

*Segment Reporting - Improvements to Reporting Segment Disclosures (ASU 2023-07)*

The amendments in this update incrementally add disclosures for public entities' reporting segments including significant segment expenses and other segment items. While the guidance updates the disclosure requirements, it does not impact the financial statements except to recast prior-period information under certain circumstances when segment information is changed, unless it is impractical to do so. The guidance is effective for us for the 2024 annual period and in interim periods in 2025. Early adoption is permitted. We are currently evaluating the impact of this guidance on our consolidated financial statements.

*Business Combinations – Joint Venture Formations (ASU 2023-05)*

The amendments in this update address how a joint venture initially recognizes and measures contributions received at its formation date. The amendments require a joint venture to apply a new basis of accounting upon formation and to initially recognize its assets and liabilities at fair value. The guidance is effective prospectively for all joint ventures formed on or after January 1, 2025, while retrospective application may be elected for a joint venture formed before the effective date. Early adoption is permitted. We are currently evaluating the impact of this guidance on our consolidated financial statements.

**Adopted Accounting Pronouncements**

*Investments - Equity Method and Joint Ventures (Accounting Standards Update (ASU) 2023-02)*

The amendments in this update introduce the option of applying the proportional amortization method (PAM) to account for investments made primarily for the purpose of receiving income tax credits or other income tax benefits when certain requirements are met. Currently, PAM only applies to low-income housing tax credit (LIHTC) investments. We early adopted this guidance on October 1, 2023, and there was no impact on our consolidated financial statements upon adoption.

*Insurance - Targeted Improvements to the Accounting for Long-Duration Contracts (ASU 2020-11, ASU 2019-09, ASU 2018-12)*

These updates amend four key areas pertaining to the accounting and disclosures for long-duration insurance and investment contracts.

- The update requires cash flow assumptions used to measure the liability for future policy benefits to be updated at least annually and no longer allows a provision for adverse deviation. The remeasurement of the liability associated with the update of assumptions is required to be recognized in net income. Loss recognition testing is eliminated for traditional and limited-payment contracts. The update also requires the discount rate used in measuring the liability to be an upper-medium grade fixed income instrument yield, which is to be updated at each reporting date. The change in liability due to changes in the discount rate is to be recognized in other comprehensive income.
- The update simplifies the amortization of DAC and other balances amortized in proportion to premiums, gross profits or gross margins, requiring such balances to be amortized on a constant level basis over the expected term of the contracts. Deferred costs are required to be written off for unexpected contract terminations but are not subject to impairment testing.
- The update requires certain contract features meeting the definition of market risk benefits to be measured at fair value. Among the features included in this definition are GLWB and GMDB riders attached to our annuity products. The change in fair value of the market risk benefits is to be recognized in net income, excluding the portion attributable to changes in instrument-specific credit risk which is recognized in other comprehensive income.
- The update also introduces disclosure requirements around the liability for future policy benefits, policyholder account balances, market risk benefits, separate account liabilities and deferred acquisition costs. This includes disaggregated rollforwards of these balances and information about significant inputs, judgments, assumptions and methods used in their measurement.

We adopted LDTI as of January 1, 2023 and, for all provisions of the update, applied a retrospective transition approach using a transition date of January 1, 2022, the date of AHL's merger with AGM. At the merger date, VOBA balances were established as the difference between the fair value of the liabilities and the reserves established as of this date. Upon transition to LDTI, the liability for future policy benefits and contractual features that meet the criteria for market risk benefits were adjusted to conform to LDTI, with an offsetting adjustment made to positive or negative VOBA. No adjustments were recorded to AOCI or retained earnings (accumulated deficit) as of the transition date. See Note 2 – Adoption of Accounting Pronouncement for the effects of LDTI adoption on our 2022 consolidated financial statements.

*Reference Rate Reform (Topic 848) (ASU 2022-06, ASU 2021-01, ASU 2020-04)*

We adopted ASU 2020-04 and ASU 2021-01 and elected to apply certain of the practical expedients related to contract modifications, hedge accounting relationships, and derivative modifications pertaining to discounting, margining, or contract price alignment. The main purpose of the practical expedients is to ease the administrative burden of accounting for contracts impacted by reference rate reform, and these elections did not have, and are not expected to have, a material impact on the consolidated financial statements. ASU 2022-06 amended and deferred the sunset date of Topic 848 from December 31, 2022, to December 31, 2024, after which we will no longer be permitted to apply the expedients provided in Topic 848. We will continue to evaluate the impact of reference rate reform on contract modifications and hedging relationships.

*Fair Value Measurement - Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions (ASU 2022-03)*

This amendment clarifies guidance that a restriction that is a characteristic of the holding entity, rather than a characteristic of the equity security itself, should not be considered in its fair value measurement. As a result, we are required to measure the fair value of equity securities subject to contractual restrictions attributable to the holding entity on the basis of the market price of the same equity security without those contractual restrictions. Companies are not permitted to recognize a contractual sale restriction attributable to the holding entity as a separate unit of account. The guidance also requires disclosures for these equity securities. We early adopted this update effective July 1, 2023. The adoption of this update was applied on a prospective basis and did not have a material effect on our consolidated financial statements.

## 2. Adoption of Accounting Pronouncement

The schedules following provide the transition disclosures and effect of our LDTI adoption on the 2022 consolidated financial statements. See *Note 10 – Long-duration Contracts* for further disclosures.

The following table summarizes future policy benefits and changes to the liability:

| *(In millions)* | Traditional deferred annuities | Indexed annuities | Payout annuities | Reconciling items[1] | Total |
|---|---|---|---|---|---|
| **Balance as of January 1, 2022** | $ 221 | $ 5,389 | $ 32,872 | $ 8,632 | $ 47,114 |
| Change in discount rate assumptions | — | — | 2,406 | — | 2,406 |
| Adjustment for removal of balances related to market risk benefits | (221) | (5,389) | — | — | (5,610) |
| Adjustment for offsetting balance in negative VOBA[2] | — | — | — | (2,428) | (2,428) |
| **Adjusted balance as of January 1, 2022** | $ — | $ — | $ 35,278 | $ 6,204 | $ 41,482 |

[1] *Reconciling items primarily include negative VOBA associated with our liability for future policy benefits, as well as reserves for our immaterial lines of business including term and whole life, accident and health and disability, as well as other insurance benefit reserves for our no-lapse guarantees with universal life contracts, all of which are fully ceded.*

[2] *Uneliminated adjustments were recorded to positive VOBA within deferred acquisition costs, deferred sales inducements and value of business acquired on the condensed consolidated balance sheets.*

Adjustments to the deferred profit liability were not required as these balances were set to zero on the merger date. Since the liability for future policy benefits was measured at fair value on the merger date, there were no instances upon transition in which net premiums exceeded gross premiums which would have required an immediate loss to be recognized in net income.

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The following table presents the net liability position of market risk benefits:

| *(In millions)* | Traditional deferred annuities | Indexed annuities | Total |
|---|---|---|---|
| **Balance as of January 1, 2022** | $ — | $ — | $ — |
| Adjustment for addition of existing balances[1] | 221 | 5,389 | 5,610 |
| Adjustment to positive VOBA due to fair value adjustment for market risk benefits[2] | 32 | (1,165) | (1,133) |
| Adjustment to negative VOBA due to fair value adjustment for market risk benefits[3] | — | (30) | (30) |
| **Adjusted balance as of January 1, 2022** | $ 253 | $ 4,194 | $ 4,447 |

[1] *Previously recorded within future policy benefits on the consolidated balance sheets.*

[2] *Previously recorded within deferred acquisition costs, deferred sales inducements and value of business acquired on the consolidated balance sheets.*

[3] *Previously recorded within interest sensitive contract liabilities on the consolidated balance sheets.*

The following table represents market risk benefits by asset and liability positions:

| *(In millions)* | Asset[1] | Liability | Net liability |
|---|---|---|---|
| Traditional deferred annuities | $ — | $ 253 | $ 253 |
| Indexed annuities | 366 | 4,560 | 4,194 |
| **Adjusted balance as of January 1, 2022** | $ 366 | $ 4,813 | $ 4,447 |

[1] *Included in other assets on the consolidated balance sheets.*

The following table summarizes the change in deferred acquisition costs, deferred sales inducements and value of business acquired:

| *(In millions)* | VOBA |
|---|---|
| **Balance as of January 1, 2022** | $ 4,527 |
| Change in discount rate assumptions for future policy benefits | (22) |
| Fair value adjustment of market risk benefits | (1,133) |
| **Adjusted balance as of January 1, 2022** | $ 3,372 |

## 3. Business Combination

On January 1, 2022, AHL completed a merger with Apollo and is a direct subsidiary of AGM. At the closing of the AHL merger with AGM, each issued and outstanding AHL Class A common share (other than shares held by Apollo, the Apollo Operating Group (AOG) or the respective direct or indirect wholly owned subsidiaries of AHL or AOG) was converted automatically into 1.149 shares of AGM common shares and any cash paid in lieu of fractional AGM common shares. In connection with the merger, AGM issued to AHL Class A common shareholders 158.2 million AGM common shares in exchange for 137.6 million AHL Class A common shares that were issued and outstanding as of the acquisition date, exclusive of the 54.6 million shares previously held by Apollo immediately before the acquisition date.

The consideration was calculated based on historical AGM's December 31, 2021 closing share price multiplied by the AGM common shares issued in the share exchange, as well as the fair value of stock-based compensation awards replaced, fair value of warrants converted to AGM common shares and other equity consideration, and effective settlement of pre-existing relationships and other consideration.

### Pushdown accounting

We have elected pushdown accounting in which we used AGM's basis of accounting that reflects the fair market value of our assets and liabilities as of the date of the merger. As part of pushdown accounting, the goodwill recorded at AHL was allocated to AARe based on AARe's consolidated net identifiable assets relative AHL's consolidated net identifiable assets. This has resulted in $4,073 million goodwill recognized at January 1, 2022, and an assumed purchase price allocation of $21,560 million.

Goodwill is primarily attributable to the scale, skill sets, operations, and synergies that can be achieved subsequent to the merger. The goodwill recorded is not expected to be deductible for tax purposes. Goodwill on the consolidated balance sheets includes the impacts of foreign currency translation.

The following represents the calculation of goodwill and fair value amounts recognized:

| *(In millions)* | Fair value and goodwill calculation | |
|---|---|---|
| **Purchase price** | $ | 21,560 |
| **Assets** | | |
| Investments | $ | 176,029 |
| Cash and cash equivalents | | 8,035 |
| Restricted cash | | 796 |
| Investment in related parties | | 29,942 |
| Accrued investment income | | 962 |
| Reinsurance recoverable | | 4,977 |
| VOBA | | 3,372 |
| Other assets | | 5,868 |
| Assets of consolidated variable interest entities | | 3,635 |
| **Estimated fair value of total assets acquired by AGM** | | 233,616 |
| **Liabilities** | | |
| Interest sensitive contract liabilities | | 160,241 |
| Future policy benefits | | 41,482 |
| Market risk benefits | | 4,813 |
| Payables for collateral on derivatives and securities to repurchase | | 7,044 |
| Other liabilities | | 1,626 |
| Derivative liabilities | | 462 |
| Liabilities of consolidated variable interest entities | | 461 |
| **Estimated fair value of total liabilities assumed by AGM** | | 216,129 |
| Identifiable net assets | | 17,487 |
| **Goodwill attributable to AARe** | $ | 4,073 |

Included within the above are final amounts for (1) VOBA, (2) interest sensitive contract liabilities, (3) future policy benefits, and (4) other assets and other liabilities for the portion of our net assets AGM acquired relating to other identifiable intangible assets and deferred taxes, based on the availability of data as of the date the financial statements were available to be issued.

We also recorded VOBA and other identifiable intangible assets. Other identifiable intangible assets are included in other assets on the condensed consolidated balance sheets, as follows:

| | |
|---|---|
| Distribution channels | These assets are valued using the excess earnings method, which derives value based on the present value of the cash flow attributable to the distribution channels, less returns for contributory assets. |
| Insurance licenses | Licenses are protected through registration and were valued using the market approach based on third-party market transactions from which the prices paid for state insurance licenses could be derived. |

The fair value and weighted average estimated useful life of identifiable intangible assets as of January 1, 2022 consists of the following:

| | Fair value *(in millions)* | | Weighted average useful life *(in years)* |
|---|---|---|---|
| VOBA | $ | 3,372 | 7 |
| Distribution channels | | 1,870 | 18 |
| Insurance licenses | | 26 | Indefinite |
| **Total** | $ | 5,268 | |

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## 4. Investments

**AFS Securities -** The following table represents the amortized cost, allowance for credit losses, gross unrealized gains and losses and fair value of our AFS investments by asset type:

| | December 31, 2023 | | | | |
|---|---|---|---|---|---|
| *(In millions)* | Amortized Cost | Allowance for Credit Losses | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| AFS securities | | | | | |
| US government and agencies | $ 6,161 | $ — | $ 67 | $ (829) | $ 5,399 |
| US state, municipal and political subdivisions | 1,296 | — | — | (250) | 1,046 |
| Foreign governments | 2,083 | — | 71 | (255) | 1,899 |
| Corporate | 88,342 | (129) | 830 | (10,797) | 78,246 |
| CLO | 20,506 | (2) | 261 | (558) | 20,207 |
| ABS | 13,935 | (49) | 120 | (630) | 13,376 |
| CMBS | 7,070 | (29) | 52 | (502) | 6,591 |
| RMBS | 8,160 | (381) | 252 | (464) | 7,567 |
| **Total AFS securities** | 147,553 | (590) | 1,653 | (14,285) | 134,331 |
| AFS securities – related party | | | | | |
| Corporate | 1,423 | — | 1 | (72) | 1,352 |
| CLO | 4,367 | — | 21 | (120) | 4,268 |
| ABS | 8,665 | (1) | 34 | (309) | 8,389 |
| **Total AFS securities – related party** | 14,455 | (1) | 56 | (501) | 14,009 |
| **Total AFS securities including related party** | $ 162,008 | $ (591) | $ 1,709 | $ (14,786) | $ 148,340 |

| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| *(In millions)* | Amortized Cost | Allowance for Credit Losses | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| AFS securities | | | | | |
| US government and agencies | $ 3,333 | $ — | $ — | $ (756) | $ 2,577 |
| US state, municipal and political subdivisions | 1,218 | — | — | (291) | 927 |
| Foreign governments | 1,207 | (27) | 3 | (276) | 907 |
| Corporate | 74,644 | (61) | 92 | (13,774) | 60,901 |
| CLO | 17,721 | (7) | 115 | (1,337) | 16,492 |
| ABS | 11,437 | (29) | 15 | (906) | 10,517 |
| CMBS | 4,636 | (5) | 6 | (479) | 4,158 |
| RMBS | 6,775 | (329) | 64 | (596) | 5,914 |
| **Total AFS securities** | 120,971 | (458) | 295 | (18,415) | 102,393 |
| AFS securities – related party | | | | | |
| Corporate | 1,028 | — | 1 | (47) | 982 |
| CLO | 3,346 | (1) | 10 | (276) | 3,079 |
| ABS | 6,066 | — | 3 | (309) | 5,760 |
| **Total AFS securities – related party** | 10,440 | (1) | 14 | (632) | 9,821 |
| **Total AFS securities including related party** | $ 131,411 | $ (459) | $ 309 | $ (19,047) | $ 112,214 |

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The amortized cost and fair value of AFS securities, including related party, are shown by contractual maturity below:

| | December 31, 2023 | |
|---|---|---|
| *(In millions)* | Amortized Cost | Fair Value |
| AFS securities | | |
| Due in one year or less | $ 2,279 | $ 2,231 |
| Due after one year through five years | 17,715 | 16,944 |
| Due after five years through ten years | 23,824 | 21,631 |
| Due after ten years | 54,065 | 45,784 |
| CLO, ABS, CMBS and RMBS | 49,670 | 47,741 |
| **Total AFS securities** | 147,553 | 134,331 |
| AFS securities – related party | | |
| Due after one year through five years | 913 | 898 |
| Due after five years through ten years | 122 | 115 |
| Due after ten years | 388 | 339 |
| CLO and ABS | 13,032 | 12,657 |
| **Total AFS securities – related party** | 14,455 | 14,009 |
| **Total AFS securities including related party** | $ 162,008 | $ 148,340 |

Actual maturities can differ from contractual maturities as borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

**Unrealized Losses on AFS Securities -** The following summarizes the fair value and gross unrealized losses for AFS securities, including related parties, for which an allowance for credit losses has not been recorded, aggregated by asset type and length of time the fair value has remained below amortized cost:

| | December 31, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 months | | 12 months or more | | Total | |
| *(In millions)* | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses |
| AFS securities | | | | | | |
| US government and agencies | $ 2,013 | $ (94) | $ 2,389 | $ (735) | $ 4,402 | $ (829) |
| US state, municipal and political subdivisions | 123 | (5) | 888 | (245) | 1,011 | (250) |
| Foreign governments | 690 | (13) | 760 | (242) | 1,450 | (255) |
| Corporate | 7,752 | (474) | 50,028 | (10,311) | 57,780 | (10,785) |
| CLO | 689 | (2) | 11,579 | (543) | 12,268 | (545) |
| ABS | 2,129 | (75) | 4,378 | (458) | 6,507 | (533) |
| CMBS | 859 | (12) | 1,967 | (406) | 2,826 | (418) |
| RMBS | 467 | (9) | 2,057 | (263) | 2,524 | (272) |
| **Total AFS securities** | 14,722 | (684) | 74,046 | (13,203) | 88,768 | (13,887) |
| AFS securities – related party | | | | | | |
| Corporate | 548 | (35) | 382 | (37) | 930 | (72) |
| CLO | 397 | (16) | 2,592 | (102) | 2,989 | (118) |
| ABS | 2,008 | (66) | 2,793 | (225) | 4,801 | (291) |
| **Total AFS securities – related party** | 2,953 | (117) | 5,767 | (364) | 8,720 | (481) |
| **Total AFS securities including related party** | $ 17,675 | $ (801) | $ 79,813 | $ (13,567) | $ 97,488 | $ (14,368) |

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| | December 31, 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 months | | 12 months or more | | Total | |
| *(In millions)* | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses |
| AFS securities | | | | | | |
| US government and agencies | $ 2,539 | $ (756) | $ — | $ — | $ 2,539 | $ (756) |
| US state, municipal and political subdivisions | 911 | (291) | — | — | 911 | (291) |
| Foreign governments | 891 | (275) | — | — | 891 | (275) |
| Corporate | 58,256 | (13,773) | — | — | 58,256 | (13,773) |
| CLO | 13,486 | (1,277) | — | — | 13,486 | (1,277) |
| ABS | 8,119 | (801) | — | — | 8,119 | (801) |
| CMBS | 2,650 | (427) | — | — | 2,650 | (427) |
| RMBS | 2,621 | (365) | — | — | 2,621 | (365) |
| **Total AFS securities** | 89,473 | (17,965) | — | — | 89,473 | (17,965) |
| AFS securities – related party | | | | | | |
| Corporate | 619 | (47) | — | — | 619 | (47) |
| CLO | 2,752 | (273) | — | — | 2,752 | (273) |
| ABS | 5,487 | (308) | — | — | 5,487 | (308) |
| **Total AFS securities – related party** | 8,858 | (628) | — | — | 8,858 | (628) |
| **Total AFS securities including related party** | $ 98,331 | $ (18,593) | $ — | $ — | $ 98,331 | $ (18,593) |

The following summarizes the number of AFS securities that were in an unrealized loss position, including related parties, for which an allowance for credit losses has not been recorded:

| | December 31, 2023 | |
|---|---|---|
| | Unrealized loss position | Unrealized loss position 12 months or more |
| AFS securities | 8,650 | 7,714 |
| AFS securities – related party | 182 | 146 |

The unrealized losses on AFS securities can primarily be attributed to changes in market interest rates since application of pushdown accounting or acquisition. We did not recognize the unrealized losses in income, unless as required for hedge accounting, as we intend to hold these securities and it is not more likely than not we will be required to sell a security before the recovery of its amortized cost.

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**Notes to Consolidated Financial Statements**

**Allowance for Credit Losses -** The following table summarizes the activity in the allowance for credit losses for AFS securities by asset type:

| | Year Ended December 31, 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Additions | | Reductions | | | |
| *(In millions)* | Beginning balance | Initial credit losses | Initial credit losses on PCD securities | Securities sold during the period | Securities intended to be sold prior to recovery of amortized cost basis | Additions (reductions) to previously impaired securities | Ending Balance |
| AFS securities | | | | | | | |
| Foreign governments | $ 27 | $ — | $ — | $ (27) | $ — | $ — | $ — |
| Corporate | 61 | 88 | — | (8) | (15) | 3 | 129 |
| CLO | 7 | 1 | — | — | — | (6) | 2 |
| ABS | 29 | 23 | — | (4) | — | 1 | 49 |
| CMBS | 5 | 26 | — | — | — | (2) | 29 |
| RMBS | 329 | 16 | 53 | (16) | — | (1) | 381 |
| **Total AFS securities** | 458 | 154 | 53 | (55) | (15) | (5) | 590 |
| AFS securities – related party | | | | | | | |
| CLO | 1 | — | — | — | — | (1) | — |
| ABS | — | 1 | — | — | — | — | 1 |
| **Total AFS securities – related party** | 1 | 1 | — | — | — | (1) | 1 |
| **Total AFS securities including related party** | $ 459 | $ 155 | $ 53 | $ (55) | $ (15) | $ (6) | $ 591 |

| | Year Ended December 31, 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Additions | | Reductions | | | |
| *(In millions)* | January 1, 2022 | Initial credit losses | Initial credit losses on PCD securities | Securities sold during the period | Securities intended to be sold prior to recovery of amortized cost basis | Additions (reductions) to previously impaired securities | Ending Balance |
| AFS securities | | | | | | | |
| Foreign governments | $ — | $ 66 | $ — | $ (28) | $ — | $ (11) | 27 |
| Corporate | — | 70 | — | — | (6) | (3) | 61 |
| CLO | — | 29 | — | — | — | (22) | 7 |
| ABS | 5 | 28 | — | (3) | — | (1) | 29 |
| CMBS | — | 15 | — | — | — | (10) | 5 |
| RMBS | 306 | 41 | 7 | (29) | — | 4 | 329 |
| **Total AFS securities** | 311 | 249 | 7 | (60) | (6) | (43) | 458 |
| AFS securities – related party | | | | | | | |
| CLO | — | 4 | — | — | — | (3) | 1 |
| ABS | — | 17 | — | — | — | (17) | — |
| **Total AFS securities – related party** | — | 21 | — | — | — | (20) | 1 |
| **Total AFS securities including related party** | $ 311 | $ 270 | $ 7 | $ (60) | $ (6) | $ (63) | $ 459 |

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**Net Investment Income -** Net investment income by asset class consists of the following:

| | Years ended December 31, | |
|---|---|---|
| *(In millions)* | 2023 | 2022 |
| AFS securities | $ 6,896 | $ 4,176 |
| Trading securities | 182 | 194 |
| Equity securities | 57 | 56 |
| Mortgage loans | 2,366 | 1,266 |
| Investment funds | 1 | 389 |
| Funds withheld at interest | 1,752 | 1,844 |
| Other | 834 | 288 |
| Investment revenue | 12,088 | 8,213 |
| Investment expenses | (963) | (731) |
| **Net investment income** | $ 11,125 | $ 7,482 |

**Investment Related Gains (Losses)** - Investment related gains (losses) by asset class consists of the following:

| | Years ended December 31, | |
|---|---|---|
| *(In millions)* | 2023 | 2022 |
| AFS securities[1] | | |
| Gross realized gains on investment activity | $ 927 | $ 1,288 |
| Gross realized losses on investment activity | (779) | (2,105) |
| Net realized investment gains on AFS securities | 148 | (817) |
| Net recognized investment gains (losses) on trading securities | 65 | (423) |
| Net recognized investment gains (losses) on equity securities | 6 | (150) |
| Net recognized investment gains (losses) on mortgage loans | 207 | (2,974) |
| Derivative gains (losses) | 2,146 | (9,204) |
| Provision for credit losses | (236) | (228) |
| Other gains (losses) | (910) | 1,062 |
| **Investment related gains (losses)** | $ 1,426 | $ (12,734) |

[1] *Includes the effects of recognized gains or losses on AFS securities associated with designated hedges.*

Proceeds from sales of AFS securities were $6,463 million and $9,330 million for the years ended December 31, 2023 and 2022, respectively.

The following table summarizes the change in unrealized gains (losses) on trading and equity securities, including related party we held as of the respective year end:

| | Years ended December 31, | |
|---|---|---|
| *(In millions)* | 2023 | 2022 |
| Trading securities | $ 85 | $ (415) |
| Trading securities – related party | 8 | 1 |
| Equity securities | 51 | (146) |
| Equity securities – related party | (10) | — |

**Repurchase Agreements -** The following table summarizes the maturities of our repurchase agreements:

| | December 31, | |
|---|---|---|
| *(In millions)* | 2023 | 2022 |
| Less than 30 days | $ 686 | $ 608 |
| 30-90 days | — | 1,268 |
| Greater than 1 year | 3,167 | $ 2,866 |
| Payables for repurchase agreements | $ 3,853 | $ 4,742 |

**ATHENE ANNUITY RE LTD.**
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The following table summarizes the securities pledged as collateral for repurchase agreements:

| | December 31, | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| *(In millions)* | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| AFS securities | | | | |
| US government and agencies | $ — | $ — | $ 2,559 | $ 1,941 |
| Foreign governments | 137 | 99 | 146 | 107 |
| Corporate | 2,735 | 2,307 | 1,940 | 1,605 |
| CLO | 580 | 579 | 273 | 261 |
| ABS | 1,207 | 1,086 | 1,243 | 1,082 |
| Total securities pledged under repurchase agreements | $ 4,659 | $ 4,071 | $ 6,161 | $ 4,996 |

**Reverse Repurchase Agreements -** As of December 31, 2023 and 2022 , amounts loaned under reverse repurchase agreements were $947 million and $1,640 million, respectively, and the fair value of the collateral, comprised primarily of commercial and residential mortgage loans, was $1,504 million and $1,753 million, respectively.

**Mortgage Loans, including related party and consolidated VIEs -** Mortgage loans includes both commercial and residential loans. In connection with the merger, we elected the fair value option on our mortgage loan portfolio, however intercompany mortgage loans are held at amortized cost. See *Note 7 – Fair Value* for further fair value option information. The following represents the mortgage loan portfolio, with fair value option loans presented at unpaid principal balance:

| | December 31, | |
|---|---|---|
| *(In millions)* | 2023 | 2022 |
| Commercial mortgage loans | $ 27,630 | $ 21,061 |
| Commercial mortgage loans under development | 1,228 | 790 |
| Total commercial mortgage loans | 28,858 | 21,851 |
| Mark to fair value | (2,246) | (1,743) |
| Commercial mortgage loans, at amortized cost | 84 | 89 |
| **Commercial mortgage loans** | 26,696 | 20,197 |
| Residential mortgage loans | 21,894 | 11,802 |
| Mark to fair value | (937) | (1,099) |
| **Residential mortgage loans** | 20,957 | 10,703 |
| **Mortgage loans** | $ 47,653 | $ 30,900 |

We primarily invest in commercial mortgage loans on income producing properties including office and retail buildings, apartments, hotels, and industrial properties. We diversify the commercial mortgage loan portfolio by geographic region and property type to reduce concentration risk. We evaluate mortgage loans based on relevant current information to confirm if properties are performing at a consistent and acceptable level to secure the related debt.

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**Notes to Consolidated Financial Statements**

The distribution of commercial mortgage loans, including those under development, by property type and geographic region, is as follows:

| | December 31, | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| *(In millions, except for percentages)* | Net Carrying Value | Percentage of Total | Net Carrying Value | Percentage of Total |
| **Property type** | | | | |
| Office building | $ 4,539 | 17.0 % | $ 4,740 | 23.5 % |
| Retail | 2,158 | 8.1 % | 1,454 | 7.2 % |
| Hotel | 2,913 | 10.9 % | 1,855 | 9.2 % |
| Industrial | 4,143 | 15.5 % | 2,047 | 10.1 % |
| Apartment | 9,591 | 35.9 % | 6,692 | 33.1 % |
| Other commercial | 3,352 | 12.6 % | 3,409 | 16.9 % |
| **Total commercial mortgage loans** | $ 26,696 | 100.0 % | $ 20,197 | 100.0 % |
| **US Region** | | | | |
| East North Central | $ 1,517 | 5.7 % | $ 1,437 | 7.1 % |
| East South Central | 523 | 2.0 % | 413 | 2.0 % |
| Middle Atlantic | 7,147 | 26.9 % | 5,183 | 25.7 % |
| Mountain | 1,196 | 4.5 % | 898 | 4.4 % |
| New England | 1,295 | 4.9 % | 1,076 | 5.3 % |
| Pacific | 4,860 | 18.2 % | 3,781 | 18.7 % |
| South Atlantic | 4,583 | 17.2 % | 2,756 | 13.6 % |
| West North Central | 333 | 1.0 % | 320 | 1.6 % |
| West South Central | 1,228 | 4.6 % | 1,085 | 5.4 % |
| **Total US Region** | 22,682 | 85.0 % | 16,949 | 83.9 % |
| **International Region** | | | | |
| United Kingdom | 2,343 | 8.7 % | 1,898 | 9.4 % |
| Other International[1] | 1,671 | 6.3 % | 1,350 | 6.7 % |
| **Total International Region** | 4,014 | 15.0 % | 3,248 | 16.1 % |
| **Total commercial mortgage loans** | $ 26,696 | 100.0 % | $ 20,197 | 100.0 % |

[1] *Represents all other countries, with each individual country comprising less than 5% of the portfolio*

Our residential mortgage loan portfolio includes first lien residential mortgage loans collateralized by properties in various geographic locations and is summarized by proportion of the portfolio in the following table:

| | December 31, | |
|---|---|---|
| | 2023 | 2022 |
| **US States** | | |
| California | 27.6 % | 28.9 % |
| Florida | 12.0 % | 9.7 % |
| Texas | 6.1 % | — % |
| New York | 5.9 % | 5.6 % |
| New Jersey | 4.9 % | 5.3 % |
| Arizona | 4.1 % | 5.1 % |
| Other[1] | 30.4 % | 31.7 % |
| Total US residential mortgage loan percentage | 91.0 % | 86.3 % |
| **International** | | |
| United Kingdom | 4.0 % | 5.4 % |
| Other[2] | 5.0 % | 8.3 % |
| Total International residential mortgage loan percentage | 9.0 % | 13.7 % |
| **Total residential mortgage loan percentage** | 100.0 % | 100.0 % |

[1] *Represents all other states, with each individual state comprising less than 5% of the portfolio.*
[2] *Represents all other countries, with each individual country comprising less than 5% of the portfolio.*

**Investment Funds -** Our investment fund portfolio consists of funds that employ various strategies and include investments in real estate, real assets, credit, equity and natural resources. Investment funds can meet the definition of VIEs, which are discussed further in *Note 6 – Variable Interest Entities*. Our investment funds do not specify timing of distributions on the funds' underlying assets.

The following summarizes our investment funds, including related party:

| | December 31, | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| *(In millions, except for percentages)* | Carrying value | Percent of total | Carrying value | Percent of total |
| Investment funds | | | | |
| Equity | $ 82 | 75.3 % | $ 46 | 58.2 % |
| Hybrid | 20 | 18.3 % | 32 | 40.5 % |
| Other | 7 | 6.4 % | 1 | 1.3 % |
| Total investment funds | 109 | 100.0 % | 79 | 100.0 % |
| Investment funds – related parties | | | | |
| Strategic origination platforms | 47 | 8.5 % | 34 | 5.6 % |
| Strategic insurance platforms | 218 | 39.5 % | 300 | 49.2 % |
| Apollo and other fund investments | | | | |
| Equity | 255 | 46.4 % | 246 | 40.4 % |
| Yield | 7 | 1.3 % | 4 | 0.7 % |
| Other | 23 | 4.3 % | 25 | 4.1 % |
| Total investment funds – related parties | 550 | 100.0 % | 609 | 100.0 % |
| Investment funds owned by consolidated VIEs | | | | |
| Strategic origination platforms | 5,594 | 35.1 % | 4,829 | 38.7 % |
| Strategic insurance platforms | 483 | 3.0 % | 529 | 4.2 % |
| Apollo and other fund investments | | | | |
| Equity | 3,409 | 21.4 % | 2,640 | 21.2 % |
| Hybrid | 4,242 | 26.7 % | 3,113 | 24.9 % |
| Yield | 1,356 | 8.5 % | 1,048 | 8.4 % |
| Other | 843 | 5.3 % | 321 | 2.6 % |
| Total investment funds owned by consolidated VIEs | 15,927 | 100.0 % | 12,480 | 100.0 % |
| **Total investment funds including related party and funds owned by consolidated VIEs** | $ 16,586 | | $ 13,168 | |

**Summarized Ownership of Investment Funds -** The following is the aggregated summarized financial information of equity method investees, including those for which we elected the fair value option and would otherwise be accounted for as an equity method investment, and may be presented on a lag due to the availability of financial information from the investee:

| | December 31, | |
|---|---|---|
| *(In millions)* | 2023 | 2022 |
| Assets | $ 3,912 | $ 3,321 |
| Liabilities | 457 | 124 |
| Equity | 3,455 | 3,197 |

| | Years ended December 31, | |
|---|---|---|
| *(In millions)* | 2023 | 2022 |
| Net income | $ 246 | $ 460 |

**Non-Consolidated Securities and Investment Funds**

*Fixed maturity securities* - We invest in securitization entities as a debt holder or an investor in the residual interest of the securitization vehicle. These entities are deemed VIEs due to insufficient equity within the structure and lack of control by the equity investors over the activities that significantly impact the economics of the entity. In general, we are a debt investor within these entities and, as such, hold a variable interest; however, due to the debt holders' lack of ability to control the decisions within the trust that significantly impact the entity, and the fact the debt holders are protected from losses due to the subordination of the equity tranche, the debt holders are not deemed the primary beneficiary. Securitization vehicles in which we hold the residual tranche are not consolidated because we do not unilaterally have substantive rights to remove the general partner, or when assessing related party interests, we are not under common control, as defined by US GAAP, with the related parties, nor are substantially all of the activities conducted on our behalf; therefore, we are not deemed the primary beneficiary. Debt investments and investments in the residual tranche of securitization entities are considered debt instruments and are held at fair value and classified as AFS or trading securities on the consolidated balance sheets.

*Investment funds* - Investment funds include non-fixed income, alternative investments in the form of limited partnerships or similar legal structures.

*Equity securities* - We invest in preferred equity securities issued by entities deemed to be VIEs due to insufficient equity within the structure.

Our risk of loss associated with our non-consolidated investments depends on the investment. Investment funds, equity securities and trading securities are limited to the carrying value plus unfunded commitments. AFS securities are limited to amortized cost plus unfunded commitments.

The following summarizes the carrying value and maximum loss exposure of these non-consolidated investments:

| | December 31, | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| *(In millions)* | Carrying Value | Maximum Loss Exposure | Carrying Value | Maximum Loss Exposure |
| Investment funds | $ 109 | $ 877 | $ 79 | $ 340 |
| Investment in related parties – investment funds | 551 | 761 | 609 | 743 |
| Assets of consolidated VIEs – investment funds | 15,927 | 22,240 | 12,480 | 20,279 |
| Investment in fixed maturity securities | 48,148 | 50,616 | 37,444 | 40,982 |
| Investment in related parties – fixed maturity securities | 13,495 | 15,607 | 9,716 | 10,290 |
| Investment in related parties – equity securities | 63 | 63 | — | — |
| Total non-consolidated investments | $ 78,293 | $ 90,164 | $ 60,328 | $ 72,634 |

**Funds Withheld at Interest -** Funds withheld at interest represent a receivable for amounts contractually withheld by ceding companies in accordance with modco and funds withheld reinsurance agreements in which we act as the reinsurer. Generally, assets equal to statutory reserves are withheld and legally owned by the ceding company. We hold funds withheld at interest receivables, including those held with Venerable, Lincoln and Jackson. As of December 31, 2023, the majority of the ceding companies holding the assets pursuant to such reinsurance agreements had a financial strength rating of A or better (based on an A.M. Best scale).

The funds withheld at interest is comprised of the host contract and an embedded derivative. We are subject to the investment performance on the withheld assets with the total return directly impacting the host contract and the embedded derivative. Interest accrues at a risk-free rate on the host receivable and is recorded as net investment income in the consolidated statements of income (loss). The embedded derivative in our reinsurance agreements is similar to a total return swap on the income generated by the underlying assets held by the ceding companies. The change in the embedded derivative is recorded in investment related gains (losses) in the consolidated statements of income (loss). Although we do not legally own the underlying investments in the funds withheld at interest, in each instance the ceding company has hired Apollo to manage the withheld assets in accordance with our investment guidelines.

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The following summarizes the underlying investment composition of the funds withheld at interest, including related parties:

| | December 31, | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| *(In millions, except percentages)* | Carrying value | Percent of total | Carrying value | Percent of total |
| Fixed maturity securities | | | | |
| U.S. state, municipal, and political subdivisions | $ 188 | 0.6 % | $ 263 | 0.6 % |
| Foreign governments | 328 | 1.1 % | 401 | 1.0 % |
| Corporate | 14,840 | 48.1 % | 19,944 | 46.7 % |
| CLO | 2,612 | 8.5 % | 3,875 | 9.1 % |
| ABS | 3,285 | 10.6 % | 5,977 | 14.0 % |
| CMBS | 688 | 2.2 % | 1,122 | 2.6 % |
| RMBS | 580 | 1.9 % | 1,138 | 2.7 % |
| Equity securities | 351 | 1.1 % | 373 | 0.9 % |
| Mortgage loans | 5,277 | 17.1 % | 8,025 | 18.8 % |
| Investment funds | 827 | 2.7 % | 1,126 | 2.6 % |
| Derivative Assets | 113 | 0.4 % | 141 | 0.3 % |
| Short-term investments | 228 | 0.7 % | 184 | 0.4 % |
| Cash and cash equivalents | 1,622 | 5.3 % | 557 | 1.3 % |
| Other assets and liabilities | (106) | (0.3)% | (438) | (1.0)% |
| **Total funds withheld at interest, including related party** | $ 30,833 | 100.0 % | $ 42,688 | 100.0 % |

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## 5. Derivative Instruments

We use a variety of derivative instruments to manage risks, primarily equity, interest rate, credit, foreign currency and market volatility. See *Note 1 – Business, Basis of Presentation and Significant Accounting Policies* for a description of our accounting policies for derivatives and *Note 7 – Fair Value* for information about the fair value hierarchy for derivatives.

The following table presents the notional amount and fair value of derivative instruments:

| | December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| | Notional Amount | Fair Value | | Notional Amount | Fair Value | |
| *(In millions)* | | Assets | Liabilities | | Assets | Liabilities |
| **Derivatives designated as hedges** | | | | | | |
| Foreign currency hedges | | | | | | |
| Swaps | 9,034 | $ 477 | $ 230 | 6,677 | $ 747 | $ 154 |
| Forwards | 6,290 | 275 | 102 | 6,283 | 406 | 52 |
| Interest rate swaps | 4,468 | — | 521 | 4,468 | — | 803 |
| Forwards on net investments | 219 | — | 6 | 216 | 2 | — |
| Interest rate swaps | 10,031 | 29 | 96 | 9,332 | 9 | 150 |
| **Total derivatives designated as hedges** | | 781 | 955 | | 1,164 | 1,159 |
| **Derivatives not designated as hedges** | | | | | | |
| Equity options | 73,881 | 3,809 | 102 | 65,089 | 1,374 | 114 |
| Futures | 35 | 72 | — | 18 | 33 | — |
| Foreign currency swaps | 8,072 | 230 | 244 | 3,563 | 251 | 112 |
| Interest rate swaps | 3,499 | 81 | 9 | 488 | 74 | — |
| Foreign currency forwards | 26,917 | 286 | 656 | 15,127 | 413 | 252 |
| Other swaps | 2,588 | 39 | 1 | 89 | — | 5 |
| Embedded derivatives | | | | | | |
| Funds withheld including related party | | (4,100) | — | | (6,272) | (77) |
| Interest sensitive contract liabilities | | — | 9,059 | | — | 5,841 |
| **Total derivatives not designated as hedges** | | 417 | 10,071 | | (4,127) | 6,247 |
| **Total derivatives** | | $ 1,198 | $ 11,026 | | $ (2,963) | $ 7,406 |

### Derivatives Designated as Hedges

*Cash Flow Hedges* **-** We used foreign currency swaps to convert foreign currency denominated cash flows of an investment to US dollars to reduce cash flow fluctuations due to changes in currency exchange rates. Effective January 1, 2022, our foreign currency swaps were redesignated to fair value hedges as they no longer qualified for cash flow hedge accounting. We use interest rate swaps to convert floating-rate interest payments to fixed-rate interest payments to reduce exposure to interest rate changes. The interest rate swaps will expire by July 2027. The following is a summary of the gains (losses) related to cash flow hedges:

| | Years ended December 31, | |
|---|---|---|
| *(In millions)* | 2023 | 2022 |
| Other comprehensive income | | |
| Interest rate swaps | $ 33 | $ (105) |

There were no amounts deemed ineffective during the year ended December 31, 2023 or 2022. As of December 31, 2023 and 2022, no amounts are expected to be reclassified to income within the next 12 months.

*Fair Value Hedges* - We use foreign currency forward contracts, foreign currency swaps, foreign currency interest rate swaps and interest rate swaps that are designated and accounted for as fair value hedges to hedge certain exposures to foreign currency risk and interest rate risk. The foreign currency forward price is agreed upon at the time of the contract and payment is made at a specified future date.

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The following represents the carrying amount and the cumulative fair value hedging adjustments included in the hedged assets or liabilities:

| | December 31, | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| *(In millions)* | Carrying amount of the hedged assets or liabilities[1] | Cumulative amount of fair value hedging gains (losses) | Carrying amount of the hedged assets or liabilities[1] | Cumulative amount of fair value hedging gains (losses) |
| AFS securities | | | | |
| Foreign currency forwards | $ 4,883 | $ (15) | $ 5,259 | $ (217) |
| Foreign currency swaps | 6,820 | (141) | 4,797 | (398) |
| Interest sensitive contract liabilities | | | | |
| Foreign currency swaps | 1,438 | 19 | 1,081 | 88 |
| Foreign currency interest rate swaps | 4,010 | 363 | 4,348 | 632 |
| Interest rate swaps | 6,910 | 189 | 6,577 | 323 |

[1] *The carrying amount disclosed for AFS securities is amortized cost.*

The following is a summary of the gains (losses) related to the derivatives and related hedged items in fair value hedge relationships:

| | | | | Amounts Excluded | |
|---|---|---|---|---|---|
| *(In millions)* | Derivatives | Hedged Items | Net | Recognized in income through amortization approach | Recognized in income through changes in fair value |
| **Years ended December 31, 2023** | | | | | |
| Investment related gains (losses) | | | | | |
| Foreign currency forwards | $ (169) | $ 167 | $ (2) | $ 82 | $ 20 |
| Foreign currency swaps | (159) | 169 | 10 | — | — |
| Foreign currency interest rate swaps | 282 | (269) | 13 | — | — |
| Interest rate swaps | 111 | (118) | (7) | — | — |
| Interest sensitive contract benefits | | | | | |
| Foreign currency interest rate swaps | 57 | (60) | (3) | — | — |
| **Years ended December 31, 2022** | | | | | |
| Investment related gains (losses) | | | | | |
| Foreign currency forwards | $ 183 | $ (190) | $ (7) | $ 67 | $ 9 |
| Foreign currency swaps | 286 | (310) | (24) | — | — |
| Foreign currency interest rate swaps | (622) | 632 | 10 | — | — |
| Interest rate swaps | (332) | 323 | (9) | — | — |
| Interest sensitive contract benefits | | | | | |
| Foreign currency interest rate swaps | 52 | (53) | (1) | — | — |

The following is a summary of the gains (losses) excluded from the assessment of hedge effectiveness that were recognized in OCI:

| | Years ended December 31, | |
|---|---|---|
| *(In millions)* | 2023 | 2022 |
| Foreign currency forwards | $ (45) | $ 20 |
| Foreign currency swaps | (187) | 88 |

*Net Investment Hedges* - We use foreign currency forwards to hedge the foreign currency exchange rate risk of our investments in subsidiaries that have a reporting currency other than the US dollar. We assess hedge effectiveness based on the changes in forward rates. During the year ended December 31, 2023 and 2022 these derivatives had losses of $4 million and gains of $30 million, respectively.

These derivatives are included in foreign currency translation and other adjustments on the consolidated statements of comprehensive income (loss). As of December 31, 2023 and 2022, the cumulative foreign currency translations recorded in AOCI related to these net investment hedges were gains of $10 million and $30 million, respectively. During the year ended December 31, 2023 and 2022, there were no amounts deemed ineffective.

**Derivatives Not Designated as Hedges**

*Equity options* - We use equity indexed options to economically hedge fixed indexed annuity products that guarantee the return of principal to the policyholder and credit interest based on a percentage of the gain in a specified market index, primarily the S&P 500. To hedge against adverse changes in equity indices, we enter into contracts to buy equity indexed options. The contracts are net settled in cash based on differentials in the indices at the time of exercise and the strike price.

*Futures* - Futures contracts are purchased to hedge the growth in interest credited to the customer as a direct result of increases in the related indices. We enter into exchange-traded futures with regulated futures commission clearing brokers who are members of a trading exchange. Under exchange-traded futures contracts, we agree to purchase a specified number of contracts with other parties and to post variation margin on a daily basis in an amount equal to the difference in the daily fair values of those contracts.

*Interest rate swaps* - We use interest rate swaps to reduce market risks from interest rate changes and to alter interest rate exposure arising from duration mismatches between assets and liabilities. With an interest rate swap, we agree with another party to exchange the difference between fixed-rate and floating-rate interest amounts tied to an agreed-upon notional principal amount at specified intervals.

*Other swaps* - Other swaps include total return swaps and credit default swaps. We purchase total rate of return swaps to gain exposure and benefit from a reference asset or index without ownership. Total rate of return swaps are contracts in which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of the underlying asset or index, which includes both the income it generates and any capital gains.

Credit default swaps provide a measure of protection against the default of an issuer or allow us to gain credit exposure to an issuer or traded index. We use credit default swaps coupled with a bond to synthetically create the characteristics of a reference bond. These transactions have a lower cost and are generally more liquid relative to the cash market. We receive a periodic premium for these transactions as compensation for accepting credit risk.

*Embedded derivatives* - We have embedded derivatives which are required to be separated from their host contracts and reported as derivatives. Host contracts include reinsurance agreements structured on modco or funds withheld basis and indexed annuity products.

The following is a summary of the gains (losses) related to derivatives not designated as hedges:

| | Years ended December 31, | |
|---|---|---|
| *(In millions)* | 2023 | 2022 |
| Equity options | $ 1,563 | $ (2,647) |
| Futures | 73 | (144) |
| Swaps | (108) | 57 |
| Foreign currency forwards | (483) | 474 |
| Embedded derivatives on funds withheld | 934 | (6,534) |
| **Amounts recognized in investment related gains (losses)** | 1,979 | (8,794) |
| Embedded derivatives in indexed annuity products[1] | (1,443) | 2,768 |
| **Total gains (losses) on derivatives not designated as hedges** | $ 536 | $ (6,026) |

[1] *Included in interest sensitive contract benefits on the consolidated statements of income (loss).*

**Credit Risk -** We may be exposed to credit-related losses in the event of counterparty nonperformance on derivative financial instruments. Generally, the current credit exposure of our derivative contracts is the fair value at the reporting date less any collateral received from the counterparty.

We manage credit risk related to over-the-counter derivatives by entering into transactions with creditworthy counterparties. Where possible, we maintain collateral arrangements and use master netting agreements that provide for a single net payment from one counterparty to another at each due date and upon termination. We have also established counterparty exposure limits, where possible, in order to evaluate if there is sufficient collateral to support the net exposure.

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Collateral arrangements typically require the posting of collateral in connection with its derivative instruments. Collateral agreements often contain posting thresholds, some of which may vary depending on the posting party's financial strength ratings. Additionally, a decrease in our financial strength rating to a specified level can result in settlement of the derivative position.

The estimated fair value of our net derivative and other financial assets and liabilities after the application of master netting agreements and collateral were as follows:

| | | Gross amounts not offset on the consolidated balance sheet | | | | |
|---|---|---|---|---|---|---|
| *(In millions)* | Gross amount recognized[1] | Financial instruments[2] | Collateral (received)/ pledged | Net amount | Off-balance sheet securities collateral[3] | Net amount after securities collateral |
| **December 31, 2023** | | | | | | |
| Derivative assets | $ 5,298 | $ (1,497) | $ (3,676) | $ 125 | $ — | $ 125 |
| Derivative liabilities | (1,967) | 1,497 | 817 | 347 | — | 347 |
| **December 31, 2022** | | | | | | |
| Derivative assets | $ 3,309 | $ (1,477) | $ (1,952) | $ (120) | $ — | $ (120) |
| Derivative liabilities | (1,642) | 1,477 | 478 | 313 | — | 313 |

[1] *The gross amounts of recognized derivative assets and derivative liabilities are reported on the consolidated balance sheets. As of December 31, 2023, amounts not subject to master netting or similar agreements were immaterial.*

[2] *Represents amounts offsetting derivative assets and derivative liabilities that are subject to an enforceable master netting agreement or similar agreement that are not netted against the gross derivative assets or gross derivative liabilities for presentation on the consolidated balance sheets.*

[3] *For non-cash collateral received, we do not recognize the collateral on our balance sheet unless the obligor (transferor) has defaulted under the terms of the secured contract and is no longer entitled to redeem the pledged asset. Amounts do not include any excess of collateral pledged or received.*

## 6. Variable Interest Entities

We determined that we are required to consolidate certain Apollo-managed investment funds and other Apollo-managed structures. Since the criteria for the primary beneficiary are satisfied by our related party group, we are deemed the primary beneficiary. In addition, we consolidate certain securitization entities where we are deemed the primary beneficiary. No arrangement exists requiring us to provide additional funding in excess of our committed capital investment, liquidity, or the funding of losses or an increase to our loss exposure in excess of our investment in any of the consolidated VIEs.

The following summarizes the income statement activity of the consolidated VIEs:

| | Years ended December 31, | |
|---|---|---|
| *(In millions)* | 2023 | 2022 |
| Trading securities | $ 116 | $ 34 |
| Equity securities | — | 13 |
| Mortgage loans | 110 | 88 |
| Investment funds | 41 | 9 |
| Other | (10) | (33) |
| **Net investment income** | $ 257 | $ 111 |
| Trading securities | $ 10 | $ (66) |
| Net recognized investment losses on mortgage loans | (22) | (250) |
| Investment funds | 1,232 | 552 |
| Other gains (losses) | (29) | 83 |
| **Investment related gains (losses)** | $ 1,191 | $ 319 |

## 7. Fair Value

Fair value is the price we would receive to sell an asset or pay to transfer a liability (exit price) in an orderly transaction between market participants. We determine fair value based on the following fair value hierarchy:

Level 1 - Unadjusted quoted prices for identical assets or liabilities in an active market.

Level 2 - Quoted prices for inactive markets or valuation techniques that require observable direct or indirect inputs for substantially the full term of the asset or liability. Level 2 inputs include the following:

- Quoted prices for similar assets or liabilities in active markets,
- Observable inputs other than quoted market prices, and
- Observable inputs derived principally from market data through correlation or other means.

Level 3 - Prices or valuation techniques with unobservable inputs significant to the overall fair value estimate. These valuations use critical assumptions not readily available to market participants. Level 3 valuations are based on market standard valuation methodologies, including discounted cash flows, matrix pricing or other similar techniques.

Net Asset Value (NAV) - Investment funds are typically measured using NAV as a practical expedient in determining fair value and are not classified in the fair value hierarchy. Our carrying value reflects our pro rata ownership percentage as indicated by NAV in the investment fund financial statements, which we may adjust if we determine NAV is not calculated consistent with investment company fair value principles. The underlying investments of the investment funds may have significant unobservable inputs, which may include but are not limited to, comparable multiples and weighted average cost of capital rates applied in valuation models or a discounted cash flow model.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the instrument's fair value measurement.

We use a number of valuation sources to determine fair values. Valuation sources can include quoted market prices; third-party commercial pricing services; third-party brokers; industry-standard, vendor modeling software that uses market observable inputs; and other internal modeling techniques based on projected cash flows. We periodically review the assumptions and inputs of third-party commercial pricing services through internal valuation price variance reviews, comparisons to internal pricing models, back testing to recent trades, or monitoring trading volumes.

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The following represents the hierarchy for our assets and liabilities measured at fair value on a recurring basis:

| | December 31, 2023 | | | | |
|---|---|---|---|---|---|
| *(In millions)* | Total | NAV | Level 1 | Level 2 | Level 3 |
| AFS securities | | | | | |
| US government and agencies | $ 5,399 | $ — | $ 5,392 | $ 7 | $ — |
| US state, municipal and political subdivisions | 1,046 | — | — | 1,046 | — |
| Foreign governments | 1,899 | — | 895 | 964 | 40 |
| Corporate | 78,246 | — | 10 | 75,711 | 2,525 |
| CLO | 20,207 | — | — | 20,207 | — |
| ABS | 13,376 | — | — | 6,441 | 6,935 |
| CMBS | 6,591 | — | — | 6,570 | 21 |
| RMBS | 7,567 | — | — | 7,302 | 265 |
| Total AFS securities | 134,331 | — | 6,297 | 118,248 | 9,786 |
| Trading securities | 1,706 | — | 24 | 1,654 | 28 |
| Equity securities | 935 | — | 210 | 699 | 26 |
| Mortgage loans | 44,115 | — | — | — | 44,115 |
| Funds withheld at interest – embedded derivative | (3,379) | — | — | — | (3,379) |
| Derivative assets | 5,298 | — | 108 | 5,190 | — |
| Short-term investments | 341 | — | — | 236 | 105 |
| Other investments | 943 | — | — | 313 | 630 |
| Cash and cash equivalents | 12,599 | — | 12,599 | — | — |
| Restricted cash | 1,761 | — | 1,761 | — | — |
| Investments in related parties | | | | | |
| AFS securities | | | | | |
| Corporate | 1,352 | — | — | 181 | 1,171 |
| CLO | 4,268 | — | — | 3,762 | 506 |
| ABS | 8,389 | — | — | 563 | 7,826 |
| Total AFS securities – related party | 14,009 | — | — | 4,506 | 9,503 |
| Trading securities | 838 | — | — | — | 838 |
| Equity securities | 63 | — | 63 | — | — |
| Mortgage loans | 1,281 | | | | 1,281 |
| Funds withheld at interest – embedded derivative | (721) | — | — | — | (721) |
| Other investments | 343 | — | — | — | 343 |
| Reinsurance recoverable | 1,367 | — | — | — | 1,367 |
| Other assets | 378 | — | — | — | 378 |
| Assets of consolidated VIEs | | | | | |
| Trading securities | 2,136 | — | — | 284 | 1,852 |
| Mortgage loans | 2,173 | — | — | — | 2,173 |
| Investment funds | 15,927 | 14,950 | — | — | 977 |
| Other investments | 103 | — | — | 2 | 101 |
| Cash and cash equivalents | 98 | — | 98 | — | — |
| **Total assets measured at fair value** | $ 236,204 | $ 14,950 | $ 21,097 | $ 131,132 | $ 69,025 |
| **Liabilities** | | | | | |
| Interest sensitive contract liabilities | | | | | |
| Embedded derivative | $ 9,059 | $ — | $ — | $ — | $ 9,059 |
| Universal life benefits | 834 | — | — | — | 834 |
| Future policy benefits | | | | | |
| AmerUs Closed Block | 1,178 | — | — | — | 1,178 |
| ILICO Closed Block and life benefits | 522 | — | — | — | 522 |
| Market risk benefits | 3,751 | — | — | — | 3,751 |
| Derivative liabilities | 1,967 | — | 17 | 1,949 | 1 |
| Other liabilities | 266 | — | — | (64) | 330 |
| **Total liabilities measured at fair value** | $ 17,577 | $ — | $ 17 | $ 1,885 | $ 15,675 |

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| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| *(In millions)* | Total | NAV | Level 1 | Level 2 | Level 3 |
| AFS securities | | | | | |
| US government and agencies | $ 2,577 | $ — | $ 2,570 | $ 7 | $ — |
| US state, municipal and political subdivisions | 926 | — | — | 926 | — |
| Foreign governments | 907 | — | — | 906 | 1 |
| Corporate | 60,901 | — | — | 59,236 | 1,665 |
| CLO | 16,493 | — | — | 16,493 | — |
| ABS | 10,517 | — | — | 5,660 | 4,857 |
| CMBS | 4,158 | — | — | 4,158 | — |
| RMBS | 5,914 | — | — | 5,682 | 232 |
| Total AFS securities | 102,393 | — | 2,570 | 93,068 | 6,755 |
| Trading securities | 1,595 | — | 23 | 1,519 | 53 |
| Equity securities | 1,087 | — | 150 | 845 | 92 |
| Mortgage loans | 27,454 | — | — | — | 27,454 |
| Funds withheld at interest – embedded derivative | (4,847) | — | — | — | (4,847) |
| Derivative assets | 3,308 | — | 42 | 3,266 | — |
| Short-term investments | 521 | — | 29 | 456 | 36 |
| Other investments | 611 | — | — | 170 | 441 |
| Cash and cash equivalents | 6,909 | — | 6,909 | — | — |
| Restricted cash | 628 | — | 628 | — | — |
| Investments in related parties | | | | | |
| AFS securities | | | | | |
| Corporate | 982 | — | — | 170 | 812 |
| CLO | 3,079 | — | — | 2,776 | 303 |
| ABS | 5,760 | — | — | 218 | 5,542 |
| Total AFS securities – related party | 9,821 | — | — | 3,164 | 6,657 |
| Trading securities | 878 | — | — | — | 878 |
| Mortgage loans | 1,302 | — | — | — | 1,302 |
| Funds withheld at interest – embedded derivative | (1,425) | — | — | — | (1,425) |
| Other investments | 303 | — | — | — | 303 |
| Other assets | 481 | — | — | — | 481 |
| Reinsurance recoverable | 1,388 | — | — | — | 1,388 |
| Assets of consolidated VIEs | | | | | |
| Trading securities | 1,063 | — | 5 | 436 | 622 |
| Mortgage loans | 2,055 | — | — | — | 2,055 |
| Investment funds | 12,480 | 10,009 | — | — | 2,471 |
| Other investments | 101 | — | — | 2 | 99 |
| Cash and cash equivalents | 312 | — | 312 | — | — |
| **Total assets measured at fair value** | $ 168,418 | $ 10,009 | $ 10,668 | $ 102,926 | $ 44,815 |
| **Liabilities** | | | | | |
| Interest sensitive contract liabilities | | | | | |
| Embedded derivative | $ 5,841 | $ — | $ — | $ — | $ 5,841 |
| Universal life benefits | 829 | — | — | — | 829 |
| Future policy benefits | | | | | |
| AmerUs Closed Block | 1,164 | — | — | — | 1,164 |
| ILICO Closed Block and life benefits | 548 | — | — | — | 548 |
| Market risk benefits | 2,970 | — | — | — | 2,970 |
| Derivative liabilities | 1,642 | — | 38 | 1,603 | 1 |
| Other liabilities | 65 | — | — | (77) | 142 |
| **Total liabilities measured at fair value** | $ 13,059 | $ — | $ 38 | $ 1,526 | $ 11,495 |

**Fair Value Valuation Methods -** We used the following valuation methods and assumptions to estimate fair value:

*AFS and trading securities* - We obtain the fair value for most marketable securities without an active market from several commercial pricing services. These are classified as Level 2 assets. The pricing services incorporate a variety of market observable information in their valuation techniques, including benchmark yields, trading activity, credit quality, issuer spreads, bids, offers and other reference data. This category typically includes US and non-US corporate bonds, US agency and government guaranteed securities, CLO, ABS, CMBS and RMBS.

We also have fixed maturity securities priced based on indicative broker quotes or by employing market accepted valuation models. For certain fixed maturity securities, the valuation model uses significant unobservable inputs and are included in Level 3 in our fair value hierarchy. Significant unobservable inputs used include: discount rates, issue specific credit adjustments, material non-public financial information, estimation of future earnings and cash flows, default rate assumptions, liquidity assumptions and indicative quotes from market makers. These inputs are usually considered unobservable, as not all market participants have access to this data.

We value privately placed fixed maturity securities based on the credit quality and duration of comparable marketable securities, which may be securities of another issuer with similar characteristics. In some instances, we use a matrix-based pricing model. These models consider the current level of risk-free interest rates, corporate spreads, credit quality of the issuer and cash flow characteristics of the security. We also consider additional factors such as net worth of the borrower, value of collateral, capital structure of the borrower, presence of guarantees and our evaluation of the borrower’s ability to compete in its relevant market. Privately placed fixed maturity securities are classified as Level 2 or 3.

*Equity securities* **-** Fair values of publicly traded equity securities are based on quoted market prices and classified as Level 1. Other equity securities, typically private equities or equity securities not traded on an exchange, we value based on other sources, such as commercial pricing services or brokers, and are classified as Level 2 or 3.

*Mortgage loans* - We estimate fair value on a monthly basis using discounted cash flow analysis and rates being offered for similar loans to borrowers with similar credit ratings. Loans with similar characteristics are aggregated for purposes of the calculations. The discounted cash flow model uses unobservable inputs, including estimates of discount rates and loan prepayments. Mortgage loans are classified as Level 3.

*Investment funds* - Certain investment funds for which we elected the fair value option are included in Level 3 and are priced based on market accepted valuation models. The valuation models use significant unobservable inputs, which include material non-public financial information, estimation of future distributable earnings and demographic assumptions. These inputs are usually considered unobservable, as not all market participants have access to this data.

*Other investments* - The fair value of other investments are determined using a discounted cash flow model using discount rates for similar investments.

*Funds withheld at interest embedded derivative* - We estimate the fair value of the embedded derivative based on the change in the fair value of the assets supporting the funds withheld payable under modco and funds withheld reinsurance agreements. As a result, the fair value of the embedded derivative is classified as Level 2 or 3 based on the valuation methods used for the assets held supporting the reinsurance agreements.

*Derivatives* - Derivative contracts can be exchange traded or over-the-counter. Exchange-traded derivatives typically fall within Level 1 of the fair value hierarchy depending on trading activity. Over-the-counter derivatives are valued using valuation models or an income approach using third-party broker valuations. Valuation models require a variety of inputs, including contractual terms, market prices, yield curves, credit curves, measures of volatility, prepayment rates and correlation of the inputs. We consider and incorporate counterparty credit risk in the valuation process through counterparty credit rating requirements and monitoring of overall exposure. We also evaluate and include our own nonperformance risk in valuing derivatives. The majority of our derivatives trade in liquid markets; therefore, we can verify model inputs and model selection does not involve significant management judgment. These are typically classified within Level 2 of the fair value hierarchy.

*Cash and cash equivalents, including restricted cash* - The carrying amount for cash equals fair value. We estimate the fair value for cash equivalents based on quoted market prices. These assets are classified as Level 1.

*Other assets and market risk benefits liability* – Other assets at fair value consist of market risk benefit assets. See *Note 10 – Long-duration Contracts* for additional information on market risk benefits valuation methodology and additional fair value disclosures. The estimates are classified as Level 3.

*Interest sensitive contract liabilities embedded derivative* - Embedded derivatives related to interest sensitive contract liabilities with fixed indexed annuity products are classified as Level 3. The valuations include significant unobservable inputs associated with economic assumptions and actuarial assumptions for policyholder behavior.

*AmerUs Closed Block* - We elected the fair value option for the future policy benefits liability in the AmerUs Closed Block. Our valuation technique is to set the fair value of policyholder liabilities equal to the fair value of assets. There is an additional component which captures the fair value of the open block’s obligations to the closed block business. This component is the present value of the projected release of required capital and future earnings before income taxes on required capital supporting the AmerUs Closed Block, discounted at a rate which represents a market participant’s required rate of return, less the initial required capital. Unobservable inputs include estimates for these items. The AmerUs Closed Block policyholder liabilities and any corresponding reinsurance recoverable are classified as Level 3.

*ILICO Closed Block* - We elected the fair value option for the ILICO Closed Block. Our valuation technique is to set the fair value of policyholder liabilities equal to the fair value of assets. There is an additional component which captures the fair value of the open block's obligations to the closed block business. This component uses the present value of future cash flows which include commissions, administrative expenses, reinsurance premiums and benefits, and an explicit cost of capital. The discount rate includes a margin to reflect the business and nonperformance risk. Unobservable inputs include estimates for these items. The ILICO Closed Block policyholder liabilities and corresponding reinsurance recoverable are classified as Level 3.

*Universal life liabilities and other life benefits* - We elected the fair value option for certain blocks of universal and other life business ceded to Global Atlantic. We use a present value of liability cash flows. Unobservable inputs include estimates of mortality, persistency, expenses, premium payments and a risk margin used in the discount rates that reflects the riskiness of the business. These universal life policyholder liabilities and corresponding reinsurance recoverable are classified as Level 3.

*Other liabilities* - Other liabilities includes funds withheld liability, as described above in funds withheld at interest embedded derivative, and a ceded modco agreement of certain inforce funding agreement contracts for which we elected the fair value option. We estimate the fair value of the ceded modco agreement by discounting projected cash flows for net settlements and certain periodic and non-periodic payments. Unobservable inputs include estimates for asset portfolio returns and economic inputs used in the discount rate, including risk margin. Depending on the projected cash flows and other assumptions, the contract may be recorded as an asset or liability. The estimate is classified as Level 3.

**Fair Value Option -** The following represents the gains (losses) recorded for instruments for which we have elected the fair value option, including related parties and consolidated VIEs:

| | Years ended December 31, | |
|---|---|---|
| *(In millions)* | 2023 | 2022 |
| Trading securities | $ 66 | $ (423) |
| Mortgage loans | 183 | (3,213) |
| Investment funds | 10 | 91 |
| Future policy benefits | (14) | 356 |
| Other liabilities | (113) | (23) |
| **Total gains (losses)** | $ 132 | $ (3,212) |

Gains and losses on trading securities, mortgage loans, investments of consolidated VIEs, and other liabilities are recorded in investment related gains (losses) on the consolidated statements of income (loss). Gains and losses related to investment funds are recorded in net investment income on the consolidated statements of income (loss). We record the change in fair value of future policy benefits to future policy and other policy benefits on the consolidated statements of income (loss).

The following summarizes information for fair value option mortgage loans, including related party and consolidated VIEs:

| | December 31, | |
|---|---|---|
| *(In millions)* | 2023 | 2022 |
| Unpaid principal balance | $ 50,752 | $ 33,653 |
| Mark to fair value | (3,183) | (2,842) |
| **Fair value** | $ 47,569 | $ 30,811 |

The following represents our commercial mortgage loan portfolio 90 days or more past due and/or in non-accrual status:

| | December 31, | |
|---|---|---|
| *(In millions)* | 2023 | 2022 |
| Unpaid principal balance of commercial mortgage loans 90 days or more past due and/or in non-accrual status | $ 221 | $ 74 |
| Mark to fair value of commercial mortgage loans 90 days or more past due and/or in non-accrual status | (74) | (55) |
| Fair value of commercial mortgage loans 90 days or more past due and/or in non-accrual status | $ 147 | $ 19 |
| Fair value of commercial mortgage loans 90 days or more past due | $ 64 | $ 2 |
| Fair value of commercial mortgage loans in non-accrual status | 147 | 19 |

The following represents our residential loan portfolio 90 days or more past due and/or in non-accrual status:

| | December 31, | |
|---|---|---|
| *(In millions)* | 2023 | 2022 |
| Unpaid principal balance of residential mortgage loans 90 days or more past due and/or in non-accrual status | $ 528 | $ 522 |
| Mark to fair value of residential mortgage loans 90 days or more past due and/or in non-accrual status | (49) | (50) |
| Fair value of residential mortgage loans 90 days or more past due and/or in non-accrual status | $ 479 | $ 472 |
| Fair value of residential mortgage loans 90 days or more past due[1] | $ 479 | $ 472 |
| Fair value of residential mortgage loans in non-accrual status | 355 | 360 |

[1] *As of December 31, 2023 and 2022 includes $124 million and $221 million, respectively, of residential mortgage loans that are guaranteed by US government-sponsored agencies.*

The following is the estimated amount of gains (losses) included in earnings during the period attributable to changes in instrument-specific credit risk on our mortgage loan portfolio:

| | Years ended December 31, | |
|---|---|---|
| *(In millions)* | 2023 | 2022 |
| Mortgage loans | $ (53) | $ (41) |

We estimated the portion of gains and losses attributable to changes in instrument-specific credit risk by identifying commercial loans with loan-to-value ratios meeting credit quality criteria, and residential mortgage loans with delinquency status meeting credit quality criteria.

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**ATHENE ANNUITY RE LTD.**
**Notes to Consolidated Financial Statements**

**Level 3 Financial Instruments -** The following are reconciliations for Level 3 assets and liabilities measured at fair value on a recurring basis. Transfers in and out of Level 3 are primarily based on changes in the availability of pricing sources, as described in the valuation methods above.

| | Year Ended December 31, 2023 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Total realized and unrealized gains (losses) | | | | | | |
| *(In millions)* | Beginning balance | Included in income | Included in OCI | Net purchases, issuances, sales and settlements | Net transfers in (out) | Ending balance | Total gains (losses) included in earnings[1] | Total gains (losses) included in OCI[1] |
| **Assets** | | | | | | | | |
| AFS securities | | | | | | | | |
| Foreign governments | $ 1 | $ (1) | $ (2) | $ 42 | $ — | $ 40 | $ — | $ (2) |
| Corporate | 1,665 | (20) | 46 | 1,298 | (464) | 2,525 | — | 21 |
| ABS | 4,857 | (7) | 59 | 3,242 | (1,216) | 6,935 | — | 46 |
| CMBS | — | — | 1 | — | 20 | 21 | — | 3 |
| RMBS | 232 | 8 | 4 | 257 | (236) | 265 | — | 2 |
| Trading securities | 53 | 2 | — | (15) | (12) | 28 | — | — |
| Equity securities | 92 | (7) | — | (45) | (14) | 26 | — | — |
| Mortgage loans | 27,454 | 184 | — | 16,477 | — | 44,115 | 184 | — |
| Funds withheld at interest – embedded derivative | (4,847) | 1,468 | — | — | — | (3,379) | — | — |
| Short-term investments | 36 | — | (3) | 69 | 3 | 105 | — | — |
| Other investments | 441 | 1 | — | 189 | — | 631 | (1) | — |
| Investments in related parties | | | | | | | | |
| AFS securities | | | | | | | | |
| Corporate | 812 | 2 | (32) | 173 | 216 | 1,171 | — | (32) |
| CLO | 303 | — | 18 | 185 | — | 506 | — | 28 |
| ABS | 5,542 | 18 | 103 | 1,880 | 283 | 7,826 | 6 | 96 |
| Trading securities | 878 | 11 | — | (51) | — | 838 | 8 | — |
| Mortgage loans | 1,302 | 8 | — | (29) | — | 1,281 | 8 | — |
| Funds withheld at interest – embedded derivative | (1,425) | 704 | — | — | — | (721) | — | — |
| Other investments | 303 | (2) | — | 42 | — | 343 | (3) | — |
| Reinsurance recoverable | 1,388 | (21) | — | — | — | 1,367 | — | — |
| Assets of consolidated VIEs | | | | | | | | |
| Trading securities | 623 | 47 | — | (149) | 1,331 | 1,852 | 47 | — |
| Mortgage loans | 2,055 | (9) | — | 127 | — | 2,173 | (9) | — |
| Investment funds | 2,471 | (30) | — | 73 | (1,537) | 977 | (31) | — |
| Other investments | 99 | 9 | — | (7) | — | 101 | 9 | — |
| **Total Level 3 assets** | $ 44,335 | $ 2,365 | $ 194 | $ 23,758 | $ (1,626) | $ 69,026 | $ 218 | $ 162 |
| **Liabilities** | | | | | | | | |
| Interest sensitive contract liabilities | | | | | | | | |
| Embedded derivative | $ (5,841) | $ (1,443) | $ — | $ (1,775) | $ — | $ (9,059) | $ — | $ — |
| Universal life benefits | (829) | (5) | — | — | — | (834) | — | — |
| Future policy benefits | | | | | | | | |
| AmerUs Closed Block | (1,164) | (14) | — | — | — | (1,178) | — | — |
| ILICO Closed Block and life benefits | (548) | 26 | — | — | — | (522) | — | — |
| Derivative liabilities | (1) | — | — | — | — | (1) | — | — |
| Other liabilities | (142) | (113) | — | (75) | — | (330) | — | — |
| **Total Level 3 liabilities** | $ (8,525) | $ (1,549) | $ — | $ (1,850) | $ — | $ (11,924) | $ — | $ — |

[1] *Related to instruments held at end of period.*

**ATHENE ANNUITY RE LTD.**
**Notes to Consolidated Financial Statements**

| (In millions) | Balance at January 1, 2022 | Total realized and unrealized gains (losses) Included in income | Included in OCI | Net purchases, issuances, sales and settlements | Net transfers in (out) | Ending balance | Total gains (losses) included in earnings[1] | Total gains (losses) included in OCI[1] |
|---|---|---|---|---|---|---|---|---|
| | Year Ended December 31, 2022 | | | | | | | |
| **Assets** | | | | | | | | |
| AFS securities | | | | | | | | |
| Foreign governments | $ 2 | $ (1) | $ — | $ — | $ — | $ 1 | $ — | $ — |
| Corporate | 1,339 | (16) | (123) | 364 | 101 | 1,665 | — | (119) |
| Collateralized loan obligations | 14 | (2) | — | (9) | (3) | — | — | — |
| Asset-backed securities | 3,619 | 1 | (183) | 778 | 642 | 4,857 | — | (216) |
| Commercial mortgage-backed securities | 43 | — | (17) | — | (26) | — | — | — |
| Residential mortgage-backed securities | — | — | 3 | 295 | (66) | 232 | — | 4 |
| Trading securities | 69 | (9) | — | (10) | 3 | 53 | (5) | — |
| Equity securities | 429 | 26 | — | (4) | (359) | 92 | 22 | — |
| Mortgage loans | 21,154 | (2,761) | — | 9,061 | — | 27,454 | (2,747) | — |
| Investment funds | 18 | 1 | — | — | (19) | — | 1 | — |
| Funds withheld at interest - embedded derivative | — | (4,847) | — | — | — | (4,847) | — | — |
| Short-term investments | 29 | — | — | 7 | — | 36 | (92) | — |
| Other investments | — | (91) | — | 36 | 496 | 441 | — | — |
| Investments in related parties | | | | | | | | |
| AFS securities | | | | | | | | |
| Corporate | 670 | (3) | (16) | 202 | (41) | 812 | — | (16) |
| Collateralized loan obligations | 51 | — | (29) | 281 | — | 303 | — | (29) |
| Asset-backed securities | 6,445 | 16 | (256) | (807) | 144 | 5,542 | (11) | (259) |
| Trading securities | 1,771 | 3 | — | (1,084) | 188 | 878 | 1 | — |
| Equity Securities | 113 | — | — | (120) | 7 | — | — | — |
| Mortgage loans | 1,369 | (225) | — | 158 | — | 1,302 | (225) | — |
| Funds withheld at interest - embedded derivative | — | (1,425) | — | — | — | (1,425) | — | — |
| Short-term investments | — | — | — | 31 | (31) | — | — | — |
| Other investments | — | 14 | — | 15 | 274 | 303 | 14 | — |
| Reinsurance recoverable | 1,991 | (603) | — | — | — | 1,388 | — | — |
| Assets of consolidated VIEs | | | | | | | | |
| Trading securities | — | 49 | — | 530 | 43 | 622 | 11 | — |
| Mortgage loans | 2,151 | (227) | — | (30) | 161 | 2,055 | (226) | — |
| Investment funds | 1,297 | 72 | — | 1,862 | (760) | 2,471 | 58 | — |
| Other investments | — | (17) | — | 31 | 85 | 99 | (24) | — |
| **Total Level 3 assets** | $ 42,574 | $ (10,045) | $ (621) | $ 11,587 | $ 839 | $ 44,334 | $ (3,223) | $ (635) |
| **Liabilities** | | | | | | | | |
| Interest sensitive contract liabilities | | | | | | | | |
| Embedded derivative | $ (7,408) | $ 2,768 | $ — | $ (1,201) | $ — | $ (5,841) | $ — | $ — |
| Universal life benefits | (1,235) | 406 | — | — | — | (829) | — | — |
| Future policy benefits | | | | | | | | |
| AmerUs Closed Block | (1,520) | 356 | — | — | — | (1,164) | — | — |
| ILICO Closed Block and life benefits | (742) | 194 | — | — | — | (548) | — | — |
| Derivative liabilities | (1) | — | — | — | — | (1) | — | — |
| Other liabilities | — | (37) | — | (105) | — | (142) | — | — |
| **Total Level 3 liabilities** | $ (10,906) | $ 3,687 | $ — | $ (1,306) | $ — | $ (8,525) | $ — | $ — |

[1] *Related to instruments held at end of period.*

**ATHENE ANNUITY RE LTD.**
**Notes to Consolidated Financial Statements**

The following represents the gross components of purchases, issuances, sales and settlements, net, and net transfers in (out) shown above:

| | Year Ended December 31, 2023 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *(In millions)* | Purchases | Issuances | Sales | Settlements | Net purchases, issuances, sales and settlements | Transfers in | Transfers out | Net transfers in (out) |
| **Assets** | | | | | | | | |
| AFS securities | | | | | | | | |
| Foreign government | $ 53 | $ — | $ — | $ (11) | $ 42 | $ — | $ — | $ — |
| Corporate | 1,704 | — | (177) | (229) | 1,298 | 29 | (493) | (464) |
| ABS | 4,221 | — | (33) | (946) | 3,242 | 827 | (2,043) | (1,216) |
| CMBS | — | — | — | — | — | 20 | — | 20 |
| RMBS | 262 | — | — | (5) | 257 | 5 | (241) | (236) |
| Trading securities | 8 | — | — | (23) | (15) | 5 | (17) | (12) |
| Equity securities | — | — | (45) | — | (45) | — | (14) | (14) |
| Mortgage loans | 21,019 | — | (529) | (4,013) | 16,477 | — | — | — |
| Short-term investments | 100 | — | — | (31) | 69 | 25 | (22) | 3 |
| Other investments | 620 | — | — | (431) | 189 | — | — | — |
| Investments in related parties | | | | | | | | |
| AFS securities | | | | | | | | |
| Corporate | 183 | — | — | (10) | 173 | 216 | — | 216 |
| CLO | 185 | — | — | — | 185 | — | — | — |
| ABS | 3,850 | — | (260) | (1,710) | 1,880 | 283 | — | 283 |
| Trading securities | 65 | — | (37) | (79) | (51) | — | — | — |
| Mortgage loans | — | — | — | (29) | (29) | — | — | — |
| Other investments | 42 | — | — | — | 42 | — | — | — |
| Assets of consolidated VIEs | | | | | | | | |
| Trading securities | 39 | — | (188) | — | (149) | 1,362 | (31) | 1,331 |
| Mortgage loans | 204 | — | — | (77) | 127 | — | — | — |
| Investment funds | 113 | — | (40) | — | 73 | 475 | (2,012) | (1,537) |
| Other investments | 15 | — | (22) | — | (7) | — | — | — |
| **Total Level 3 assets** | $ 32,683 | $ — | $ (1,331) | $ (7,594) | $ 23,758 | $ 3,247 | $ (4,873) | $ (1,626) |
| **Liabilities** | | | | | | | | |
| Interest sensitive contract liabilities – embedded derivative | $ — | $ (2,431) | $ — | $ 656 | $ (1,775) | $ — | $ — | $ — |
| Other liabilities | — | — | — | (75) | (75) | — | — | — |
| **Total Level 3 liabilities** | $ — | $ (2,431) | $ — | $ 581 | $ (1,850) | $ — | $ — | $ — |

**ATHENE ANNUITY RE LTD.**
**Notes to Consolidated Financial Statements**

| | Year Ended December 31, 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *(In millions)* | Purchases | Issuances | Sales | Settlements | Net purchases, issuances, sales and settlements | Transfers in | Transfers out | Net transfers in (out) |
| **Assets** | | | | | | | | |
| AFS securities | | | | | | | | |
| Corporate | 684 | — | (177) | (143) | 364 | 393 | (292) | 101 |
| CLO | 3 | — | — | (12) | (9) | — | (3) | (3) |
| ABS | 3,297 | — | (1,792) | (727) | 778 | 1,089 | (447) | 642 |
| CMBS | — | — | — | — | — | — | (26) | (26) |
| RMBS | 296 | — | — | (1) | 295 | — | (66) | (66) |
| Trading securities | 8 | — | (9) | (9) | (10) | 56 | (53) | 3 |
| Equity securities | — | — | (4) | — | (4) | 41 | (400) | (359) |
| Mortgage loans | 12,367 | — | (198) | (3,108) | 9,061 | — | — | — |
| Investment funds | — | — | — | — | — | — | (19) | (19) |
| Short-term investments | 59 | — | — | (52) | 7 | — | — | — |
| Other investments | 48 | — | (12) | — | 36 | 496 | — | 496 |
| Investments in related parties | | | | | | | | |
| AFS securities | | | | | | | | |
| Corporate | 483 | — | (263) | (18) | 202 | 53 | (94) | (41) |
| CLO | 281 | — | — | — | 281 | — | — | — |
| ABS | 2,786 | — | (94) | (3,499) | (807) | 2,008 | (1,864) | 144 |
| Trading securities | 44 | — | (1,082) | (46) | (1,084) | 1,448 | (1,260) | 188 |
| Equity securities | — | — | (119) | (1) | (120) | 120 | (113) | 7 |
| Mortgage loans | 182 | — | — | (24) | 158 | — | — | — |
| Short-term investments | 31 | — | — | — | 31 | — | (31) | (31) |
| Other investments | 31 | — | (16) | — | 15 | 274 | — | 274 |
| Assets of consolidated VIEs | | | | | | | | |
| Trading securities | 531 | — | (1) | — | 530 | 430 | (387) | 43 |
| Equity securities | — | — | — | — | — | 15 | (15) | — |
| Mortgage loans | 177 | — | — | (207) | (30) | 384 | (223) | 161 |
| Investment funds | 2,014 | — | (152) | — | 1,862 | 11,550 | (12,310) | (760) |
| Other investments | 33 | — | (2) | — | 31 | 116 | (31) | 85 |
| **Total Level 3 assets** | $ 23,355 | $ — | $ (3,921) | $ (7,847) | $ 11,587 | $ 18,473 | $ (17,634) | $ 839 |
| **Liabilities** | | | | | | | | |
| Interest sensitive contract liabilities – embedded derivative | $ — | $ (1,701) | $ — | $ 500 | $ (1,201) | $ — | $ — | $ — |
| Other liabilities | — | — | — | (105) | (105) | — | — | — |
| **Total Level 3 liabilities** | $ — | $ (1,701) | $ — | $ 395 | $ (1,306) | $ — | $ — | $ — |

**Significant Unobservable Inputs -** Significant unobservable inputs occur when we could not obtain or corroborate the quantitative detail of the inputs. This applies to fixed maturity securities, equity securities, mortgage loans and certain investment funds, as well as embedded derivatives in liabilities. Additional significant unobservable inputs are described below.

*AFS, trading securities and equity* - We use discounted cash flow models to calculate the fair value for certain fixed maturity and equity securities. The discount rate is a significant unobservable input because the credit spread includes adjustments made to the base rate. The base rate represents a market comparable rate for securities with similar characteristics. This excludes assets for which fair value is provided by independent broker quotes, but includes assets for which fair value is provided by affiliated quotes.

*Mortgage loans* - We use discounted cash flow models from independent commercial pricing services to calculate the fair value of our mortgage loan portfolio. The discount rate is a significant unobservable input. This approach uses market transaction information and client portfolio-oriented information, such as prepayments or defaults, to support the valuations.

*Investment funds* - We use various methods for valuing of our investment funds from both independent pricing services and affiliated modelling.

**ATHENE ANNUITY RE LTD.**
**Notes to Consolidated Financial Statements**

*Interest sensitive contract liabilities - embedded derivative* - Significant unobservable inputs we use in the fixed indexed annuities embedded derivative of the interest sensitive contract liabilities valuation include:

1. Nonperformance risk - For contracts we issue, we use the credit spread, relative to the US Department of the Treasury (US Treasury) curve based on our public credit rating as of the valuation date. This represents our credit risk for use in the estimate of the fair value of embedded derivatives.
2. Option budget - We assume future hedge costs in the derivative's fair value estimate. The level of option budgets determines the future costs of the options and impacts future policyholder account value growth.
3. Policyholder behavior – We regularly review the lapse and withdrawal assumptions (surrender rate). These are based on our initial pricing assumptions updated for actual experience. Actual experience may be limited for recently issued products.

The following summarizes the unobservable inputs for AFS, trading and equity securities, mortgage loans, investment funds and the embedded derivatives of fixed indexed annuities, including those of consolidated VIEs:

| | December 31, 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| *(In millions, except for percentages and multiples)* | Fair value | Valuation technique | Unobservable inputs | Minimum | Maximum | Weighted average | Impact of an increase in the input on fair value |
| AFS, trading and equity securities | $ 13,992 | Discounted cash flow | Discount rate | 2.3 % | 18.1 % | 7.0 % [1] | Decrease |
| Mortgage loans | 47,569 | Discounted cash flow | Discount rate | 2.5 % | 20.6 % | 6.8 % [1] | Decrease |
| Investment funds | 492 | Discounted cash flow | Discount rate | 6.3 % | 6.3 % | 6.3 % | Decrease |
| | 483 | Net tangible asset values | Implied multiple | 1.14x | 1.14x | 1.14x | Increase |
| | 2 | Reported net asset value | Reported net asset value | N/A | N/A | N/A | N/A |
| Interest sensitive contract liabilities – fixed indexed annuities embedded derivatives | 9,059 | Discounted cash flow | Nonperformance risk | 0.4 % | 1.4 % | 0.9 % [2] | Decrease |
| | | | Option budget | 0.5 % | 6.0 % | 2.3 % [3] | Increase |
| | | | Surrender rate | 6.0 % | 13.4 % | 8.7 % [3] | Decrease |

| | December 31, 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| *(In millions, except for percentages and multiples)* | Fair value | Valuation technique | Unobservable inputs | Minimum | Maximum | Weighted average | Impact of an increase in the input on fair value |
| AFS, trading and equity securities | $ 10,397 | Discounted cash flow | Discount rate | 2.2 % | 18.8 % | 6.6 % [1] | Decrease |
| Mortgage loans | 30,811 | Discounted cash flow | Discount rate | 1.5 % | 22.1 % | 6.3 % [1] | Decrease |
| Investment funds | 506 | Discounted cash flow | Discount rate | 6.4 % | 6.4 % | 6.4 % | Decrease |
| | 873 | Discounted cashflow/ Guideline public equity | Discount rate/ P/E | 16.5% / 9x | 16.5% / 9x | 16.5% / 9x | Decrease / Increase |
| | 529 | Net tangible asset values | Implied multiple | 1.26x | 1.26x | 1.26x | Increase |
| | 563 | Reported net asset value | Reported net asset value | N/A | N/A | N/A | N/A |
| Interest sensitive contract liabilities – fixed indexed annuities embedded derivatives | 5,841 | Discounted cash flow | Nonperformance risk | 0.1 % | 1.7 % | 1.0 % [2] | Decrease |
| | | | Option budget | 0.5 % | 5.3 % | 1.9 % [3] | Increase |
| | | | Surrender rate | 5.1 % | 11.5 % | 8.1 % [3] | Decrease |

[1] *The discount rate weighted average is calculated based on the relative fair values of the securities or loans.*

[2] *The nonperformance risk weighted average is based on the projected cash flows attributable to the embedded derivative.*

[3] *The option budget and surrender rate weighted averages are calculated based on projected account values.*

**Financial Instruments Without Readily Determinable Fair Values -** We elected the measurement alternative for certain equity securities that do not have a readily determinable fair value. The equity securities are held at cost less any impairment. The carrying amount of the equity securities was $358 million, with an impairment of $42 million as of December 31, 2023. As of December 31, 2022, the carrying amount of the equity securities was $400 million, with no cumulative recorded impairment.

## 8. Reinsurance

The following summarizes the effect of reinsurance on premiums and future policy and other policy benefits on the consolidated statements of income (loss):

| | Years ended December 31, | |
|---|---|---|
| *(In millions)* | 2023 | 2022 |
| **Premiums** | | |
| Direct | $ 10,525 | $ 11,373 |
| Reinsurance assumed | 2,313 | 377 |
| Reinsurance ceded | (89) | (112) |
| **Total premiums** | $ 12,749 | $ 11,638 |
| **Future policy and other policy benefits** | | |
| Direct | $ 12,321 | $ 12,142 |
| Reinsurance assumed | 2,389 | 416 |
| Reinsurance ceded | (276) | (93) |
| **Total future policy and other policy benefits** | $ 14,434 | $ 12,465 |

Reinsurance typically provides for recapture rights on the part of the ceding company for certain events of default. Additionally, some agreements require us to place assets in trust accounts for the benefit of the ceding entity. The required minimum assets are equal to or greater than statutory reserves, as defined by the agreement, and were $21,641 million and $12,643 million as of December 31, 2023 and 2022, respectively. Although we own the assets placed in trust, their use is restricted based on the trust agreement terms. If the statutory book value of the assets, or in certain cases fair value, in a trust declines because of impairments or other reasons, we may be required to contribute additional assets to the trust. In addition, the assets within a trust may be subject to a pledge in favor of the applicable reinsurance company.

### Reinsurance transactions

We have entered into a coinsurance agreement to assume a block of whole life policies. We did not have any block reinsurance transactions during the year ended December 31, 2022. The following summarizes our block reinsurance agreement at inception:

| *(In millions)* | Year Ended December 31, 2023 |
|---|---|
| Liabilities assumed | $ 1,975 |
| Less: Assets received | 2,158 |
| **Deferred profit liability**[1] | $ (183) |

[1] *Included within future policy benefits on the consolidated balance sheets.*

*Global Atlantic* - We have a 100% coinsurance and assumption agreement with Global Atlantic. The agreement ceded all existing open block life insurance business issued by Athene Annuity and Life Company (AAIA), with the exception of enhanced guarantee universal life insurance products. We also entered into a 100% coinsurance agreement with Global Atlantic to cede all policy liabilities of the ILICO Closed Block. The ILICO Closed Block consists primarily of participating whole life insurance policies. We also have an excess of loss arrangement with Global Atlantic to reimburse us for any payments required from our general assets to meet the contractual obligations of the AmerUs Closed Block not covered by existing reinsurance through Athene Re USA IV. The AmerUs Closed Block consists primarily of participating whole life insurance policies. Since all liabilities were covered by the existing reinsurance at close, no reinsurance premiums were ceded. The assets backing the AmerUs Closed Block are managed, on AAIA's behalf, by Goldman Sachs Asset Management.

As of December 31, 2023 and 2022, Global Atlantic maintained a series of trust and custody accounts under the terms of these agreements with assets equal to or greater than a required aggregate statutory balance of $2,542 million and $2,745 million, respectively.

*Protective Life Insurance Company (Protective)* - We reinsured substantially all of the existing life and health business of Athene Annuity & Life Assurance Company (AADE) to Protective under a coinsurance agreement in 2011. As of December 31, 2023 and 2022, Protective maintained a trust for our benefit with assets having a fair value of $1,213 million and $1,203 million, respectively.

**Reinsurance Recoverables -** The following summarizes our reinsurance recoverable from the following:

| *(In millions)* | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Global Atlantic | $ 2,435 | $ 2,452 |
| Protective | 1,559 | 1,581 |
| Brighthouse Financial | 50 | 226 |
| Other[1] | 110 | 99 |
| **Reinsurance recoverable** | $ 4,154 | $ 4,358 |

[1] *Represents all other reinsurers, with no single reinsurer having a carrying value in excess of 5% of total recoverable.*

## 9. Deferred Acquisition Costs, Deferred Sales Inducements and Value of Business Acquired

The following represents a rollforward of DAC and DSI by product, and a rollforward of VOBA. See *Note 10 – Long-duration Contracts* for more information on our products.

| | DAC | | | | DSI | | |
|---|---|---|---|---|---|---|---|
| *(In millions)* | Traditional deferred annuities | Indexed annuities | Funding agreements | Other investment-type | Indexed annuities | VOBA | Total DAC, DSI and VOBA |
| Balance at January 1, 2022 | $ — | $ — | $ — | $ — | $ — | $ 3,372 | $ 3,372 |
| Additions | 320 | 784 | 14 | 9 | 411 | — | 1,538 |
| Amortization | (16) | (29) | (3) | — | (12) | (384) | (444) |
| Balance at December 31, 2022 | 304 | 755 | 11 | 9 | 399 | 2,988 | 4,466 |
| Additions | 701 | 863 | 3 | 3 | 634 | — | 2,204 |
| Amortization | (115) | (101) | (4) | (1) | (63) | (404) | (688) |
| Other | — | — | — | — | — | (3) | (3) |
| Balance at December 31, 2023 | $ 890 | $ 1,517 | $ 10 | $ 11 | $ 970 | $ 2,581 | $ 5,979 |

Deferred costs related to universal life-type policies and investment contracts with significant revenue streams from sources other than investment of the policyholder funds, including traditional deferred annuities and indexed annuities, are amortized on a constant-level basis for a cohort of contracts using initial premium or deposit. Significant inputs and assumptions are required for determining the expected duration of the cohort and involves using accepted actuarial methods to determine decrement rates related to policyholder behavior lapses, withdrawals (surrenders) and mortality. The assumptions used to determine the amortization of DAC and DSI are consistent with those used to estimate the related liability balance.

Deferred costs related to investment contracts without significant revenue streams from sources other than investment of policyholder funds are amortized using the effective interest method, which primarily includes funding agreements. The effective interest method requires inputs to project future cash flows, which for funding agreements includes contractual terms of notional value, periodic interest payments based on either fixed or floating interest rates, and duration. For other investment-type contracts which include immediate annuities and assumed endowments without significant mortality risks, assumptions are required related to policyholder behavior for lapses and withdrawals (surrenders).

The expected amortization of VOBA for the next five years is as follows:

| *(In millions)* | Expected Amortization |
|---|---|
| 2024 | $ 325 |
| 2025 | 294 |
| 2026 | 262 |
| 2027 | 229 |
| 2028 | 196 |

## 10. Long-duration Contracts

*Interest sensitive contract liabilities* - Interest sensitive contract liabilities primarily include:

- traditional deferred annuities,
- indexed annuities consisting of fixed indexed and index-linked variable annuities,
- funding agreements, and
- other investment-type contracts comprising of immediate annuities without significant mortality risk (which includes pension group annuities without life contingencies) and assumed endowments without significant mortality risks.

The following represents a rollforward of the policyholder account balance by product within interest sensitive contract liabilities. Where explicit policyholder account balances do not exist, the disaggregated rollforward represents the recorded reserve.

| | Year ended December 31, 2023 | | | | |
|---|---|---|---|---|---|
| *(In millions, except percentages)* | Traditional deferred annuities | Indexed annuities | Funding agreements | Other investment-type | Total |
| **Balance at December 31, 2022** | $ 43,518 | $ 92,660 | $ 27,439 | $ 4,722 | $ 168,339 |
| Deposits | 30,175 | 12,639 | 6,893 | 4,597 | 54,304 |
| Policy charges | (2) | (651) | — | — | (653) |
| Surrenders and withdrawals | (9,929) | (11,253) | (110) | (40) | (21,332) |
| Benefit payments | (984) | (1,609) | (3,273) | (275) | (6,141) |
| Interest credited | 1,858 | 1,279 | 883 | 155 | 4,175 |
| Foreign exchange | 52 | 1 | 260 | (95) | 218 |
| Other[1] | 75 | 81 | 258 | (1,435) | (1,021) |
| **Balance at December 31, 2022** | $ 64,763 | $ 93,147 | $ 32,350 | $ 7,629 | $ 197,889 |
| Weighted average crediting rate | 4.0 % | 2.4 % | 3.4 % | 2.7 % | |
| Net amount at risk | $ 425 | $ 14,716 | $ — | $ 103 | |
| Cash surrender value | 61,345 | 85,381 | — | 6,375 | |

[1] Other includes a $1,371 million reduction of reserves related to the Venerable Insurance and Annuity Company (VIAC) recapture agreement. See *Note 16 – Related Parties* for further information.

| | Year ended December 31, 2022 | | | | |
|---|---|---|---|---|---|
| *(In millions, except percentages)* | Traditional deferred annuities | Indexed annuities | Funding agreements | Other investment-type | Total |
| **Balance at January 1, 2022** | $ 35,599 | $ 89,755 | $ 23,623 | $ 2,413 | $ 151,390 |
| Deposits | 13,246 | 11,544 | 7,970 | 2,581 | 35,341 |
| Policy charges | (3) | (600) | — | — | (603) |
| Surrenders and withdrawals | (5,419) | (8,057) | (880) | (17) | (14,373) |
| Benefit payments | (937) | (1,620) | (2,819) | (322) | (5,698) |
| Interest credited | 1,032 | 1,638 | 677 | 95 | 3,442 |
| Foreign exchange | — | — | (440) | (6) | (446) |
| Other | — | — | (692) | (22) | (714) |
| **Balance at December 31, 2022** | $ 43,518 | $ 92,660 | $ 27,439 | $ 4,722 | $ 168,339 |
| Weighted average crediting rate | 3.2 % | 2.2 % | 2.5 % | 3.1 % | |
| Net amount at risk | $ 422 | $ 13,581 | $ — | $ 47 | |
| Cash surrender value | 41,273 | 84,724 | — | 2,213 | |

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The following is a reconciliation of interest sensitive contract liabilities to the condensed consolidated balance sheets:

| | December 31, | |
|---|---|---|
| *(In millions)* | 2023 | 2022 |
| Traditional deferred annuities | $ 64,763 | $ 43,518 |
| Indexed annuities | 93,147 | 92,660 |
| Funding agreements | 32,350 | 27,439 |
| Other investment-type | 7,629 | 4,722 |
| Reconciling items[1] | 6,781 | 5,277 |
| **Interest sensitive contract liabilities** | $ 204,670 | $ 173,616 |

*[1] Reconciling items primarily include embedded derivatives in indexed annuities, unaccreted host contract adjustments on indexed annuities, negative VOBA, sales inducement liabilities and wholly ceded universal life insurance contracts.*

The following represents policyholder account balances by range of guaranteed minimum crediting rates, as well as the related range of the difference between rates being credited to policyholders and the respective guaranteed minimums:

| | December 31, 2023 | | | |
|---|---|---|---|---|
| *(In millions)* | At guaranteed minimum | 1 basis point – 100 basis points above guaranteed minimum | Greater than 100 basis points above guaranteed minimum | Total |
| < 2.0% | $ 29,500 | $ 18,917 | $ 101,459 | $ 149,876 |
| 2.0% – < 4.0% | 27,804 | 2,074 | 1,389 | 31,267 |
| 4.0% – < 6.0% | 11,546 | 17 | 1 | 11,564 |
| 6.0% and greater | 5,182 | — | — | 5,182 |
| Total | $ 74,032 | $ 21,008 | $ 102,849 | $ 197,889 |

| | December 31, 2022 | | | |
|---|---|---|---|---|
| *(In millions)* | At guaranteed minimum | 1 basis point – 100 basis points above guaranteed minimum | Greater than 100 basis points above guaranteed minimum | Total |
| < 2.0% | $ 25,008 | $ 24,823 | $ 73,996 | $ 123,827 |
| 2.0% – < 4.0% | 33,325 | 1,408 | 284 | 35,017 |
| 4.0% – < 6.0% | 8,277 | 10 | 6 | 8,293 |
| 6.0% and greater | 1,202 | — | — | 1,202 |
| Total | $ 67,812 | $ 26,241 | $ 74,286 | $ 168,339 |

*Future policy benefits* – Future policy benefits consist primarily of payout annuities, including single premium immediate annuities with life contingencies (which include pension group annuities with life contingencies).

The following is a rollforward of the expected value of future policy benefits:

| | Year ended December 31, 2023 | | |
|---|---|---|---|
| *(In millions, except percentages and years)* | Payout annuities with life contingencies | Whole life | Total |
| **Present value of expected net premiums** | | | |
| Beginning balance | $ — | $ — | $ — |
| Issuances | — | 3,091 | 3,091 |
| Interest accrual | — | 6 | 6 |
| Net premium collected | — | (2,027) | (2,027) |
| Foreign exchange | — | 65 | 65 |
| Ending balance at original discount rate | — | 1,135 | 1,135 |
| Effect of changes in discount rate assumptions | — | 45 | 45 |
| Effect of foreign exchange on the change in discount rate assumptions | — | 2 | 2 |
| Ending balance | $ — | $ 1,182 | $ 1,182 |
| **Present value of expected future policy benefits** | | | |
| Beginning balance | $ 36,422 | $ — | $ 36,422 |
| Effect of changes in discount rate assumptions | 8,425 | — | 8,425 |
| Effect of actual experience compared to expected experience | (13) | — | (13) |
| Beginning balance at original discount rate | 44,834 | — | 44,834 |
| Effect of changes in cash flow assumptions | (297) | — | (297) |
| Effect of actual experience to expected experience | (67) | — | (67) |
| Adjusted balance | 44,470 | — | 44,470 |
| Issuances | 10,427 | 3,091 | 13,518 |
| Interest accrual | 1,646 | 18 | 1,664 |
| Benefit payments | (3,834) | (18) | (3,852) |
| Foreign exchange | 35 | 185 | 220 |
| Other[1] | (1,509) | — | (1,509) |
| Ending balance at original discount rate | 51,235 | 3,276 | 54,511 |
| Effect of changes in discount rate assumptions | (6,233) | 89 | (6,144) |
| Effect of foreign exchange on the change in discount rate assumptions | (1) | 6 | 5 |
| Ending balance | $ 45,001 | $ 3,371 | $ 48,372 |
| Net future policy benefits | $ 45,001 | $ 2,189 | $ 47,190 |
| Weighted-average liability duration (in years) | 9.5 | 33.5 | |
| Weighted-average interest accretion rate | 3.6 % | 4.8 % | |
| Weighted-average current discount rate | 5.1 % | 4.1 % | |
| Expected future gross premiums, undiscounted | $ — | $ 1,497 | |
| Expected future gross premiums, discounted[2] | — | 1,239 | |
| Expected future benefit payments, undiscounted | 75,261 | 11,344 | |

[1] *Other represents a $1,509 million reduction of reserves related to the VIAC recapture agreement. See Note 16 – Related Parties for further information.*

[2] *Discounted at the original discount rate.*

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| | Year ended December 31, 2022 | | |
|---|---|---|---|
| *(In millions, except percentages and years)* | Payout annuities with life contingencies | Whole life | Total |
| **Present value of expected future policy benefits** | | | |
| Beginning balance | $ 35,278 | $ — | $ 35,278 |
| Effect of changes in discount rate assumptions | — | — | — |
| Beginning balance at original discount rate | 35,278 | — | 35,278 |
| Effect of actual experience to expected experience | (120) | — | (120) |
| Adjusted balance | 35,158 | — | 35,158 |
| Issuances | 11,528 | — | 11,528 |
| Interest accrual | 1,146 | — | 1,146 |
| Benefit payments | (2,921) | — | (2,921) |
| Foreign exchange | (77) | — | (77) |
| Ending balance at original discount rate | 44,834 | — | 44,834 |
| Effect of changes in discount rate assumptions | (8,425) | — | (8,425) |
| Effect of foreign exchange on the change in discount rate assumptions | 13 | — | 13 |
| Ending balance | $ 36,422 | $ — | $ 36,422 |
| Net future policy benefits | $ 36,422 | — | $ 36,422 |
| Weighted-average liability duration (in years) | 10.2 | — | |
| Weighted-average interest accretion rate | 3.2 % | — % | |
| Weighted-average current discount rate | 5.5 % | — % | |
| Expected future benefit payments, undiscounted | $ 64,754 | $ — | |

The following is a reconciliation of future policy benefits to the condensed consolidated balance sheets:

| | December 31, | |
|---|---|---|
| *(In millions)* | 2023 | 2022 |
| Payout annuities with life contingencies | $ 45,001 | $ 36,422 |
| Whole life | 2,189 | — |
| Reconciling items[1] | 6,097 | 5,688 |
| **Future policy benefits** | $ 53,287 | $ 42,110 |

*[1] Reconciling items primarily include the deferred profit liability and negative VOBA associated with our liability for future policy benefits. Additionally, it includes reserves for our immaterial lines of business including term and whole life, accident and health and disability, as well as other insurance benefit reserves for our no-lapse guarantees with universal life contracts, all of which are fully ceded.*

The following is a reconciliation of premiums to the consolidated statements of income (loss):

| | **Premiums** | | **Interest Expense** | |
|---|---|---|---|---|
| | Years ended December 31, | | Years ended December 31, | |
| *(In millions)* | 2023 | 2022 | 2023 | 2022 |
| Payout annuities with life contingencies | $ 10,504 | $ 11,606 | $ 1,646 | $ 1,146 |
| Whole life | 2,214 | — | 12 | — |
| Reconciling items[1] | 31 | 32 | — | — |
| **Premiums** | $ 12,749 | $ 11,638 | $ 1,658 | $ 1,146 |

*[1] Reconciling items primarily relate to immaterial lines of business including term life, fully ceded whole life, and accident and health and disability.*

Significant assumptions and inputs to the calculation of future policy benefits for payout annuities with life contingencies include policyholder demographic data, assumptions for policyholder longevity and policyholder utilization for contracts with deferred lives, and discount rates. For our whole life products, significant assumptions and inputs include policyholder demographic data, assumptions for mortality, morbidity, and lapse and discount rates.

We base certain key assumptions related to policyholder behavior on industry standard data adjusted to align with actual company experience, if necessary. At least annually, we review all significant cash flow assumptions and update as necessary, unless emerging experience indicates a more frequent review is necessary. The discount rate reflects market observable inputs from upper-medium grade fixed income instrument yields and is interpolated, where necessary, to conform to the duration of our liabilities.

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During the year ended December 31, 2023, the present value of expected future policy benefits increased by $11,950 million, which was driven by $13,518 million of issuances, primarily pension group annuities, $2,236 million change in discount rate assumptions related to a decrease in rates, and $1,664 million of interest accrual, partially offset by $3,852 million of benefit payments, $1,509 million reduction in reserve relating to recapture, and $297 million resulting from favorable unlocking of assumptions, primarily related to higher interest rates and favorable mortality experience lowering future benefit payments.

During the year ended December 31, 2022, the present value of expected future policy benefits increased by $1,144 million, which was driven by $11,528 million of issuances, primarily pension group annuities, and $1,146 million of interest accrual, partially offset by a $8,425 million change in discount rate assumptions related to an increase in rates and $2,921 million of benefit payments.

The following is a summary of remeasurement gains (losses) included within future policy and other policy benefits on the consolidated statements of income (loss):

| | Years ended December 31, | |
|---|---|---|
| *(In millions)* | 2023 | 2022 |
| Reserves | $ 364 | $ 120 |
| Deferred profit liability | (246) | (126) |
| Negative VOBA | (65) | 21 |
| **Total remeasurement gains (losses)** | $ 53 | $ 15 |

During the years ended December 31, 2023 and 2022, we recorded reserve increases of $136 million and $50 million, respectively, on the consolidated statements of income (loss) as a result of the present value of benefits and expenses exceeding the present value of gross premiums.

*Market risk benefits* - We issue and reinsure traditional deferred and indexed annuity products that contain GLWB and GMDB riders that meet the criteria to be classified as market risk benefits.

The following is a rollfoward of net market risk benefit liabilities by product:

| | Year ended December 31, 2023 | | |
|---|---|---|---|
| *(In millions)* | Traditional deferred annuities | Indexed annuities | Total |
| **Balance at December 31, 2022** | $ 170 | $ 2,319 | $ 2,489 |
| Effect of changes in instrument-specific credit risk | 13 | 353 | 366 |
| Balance, beginning of period, before changes in instrument specific credit risk | 183 | 2,672 | 2,855 |
| Issuances | — | 106 | 106 |
| Interest accrual | 10 | 147 | 157 |
| Attributed fees collected | 2 | 336 | 338 |
| Benefit payments | (2) | (32) | (34) |
| Effect of changes in interest rates | (1) | (90) | (91) |
| Effect of changes in equity | — | (119) | (119) |
| Effect of actual behavior compared to expected behavior | 5 | 67 | 72 |
| Effect of changes in future expected policyholder behavior | (3) | 78 | 75 |
| Effect of changes in other future expected assumptions | — | 6 | 6 |
| Balance, end of period, before changes in instrument-specific credit risk | 194 | 3,171 | 3,365 |
| Effect of changes in instrument-specific credit risk | (2) | 10 | 8 |
| **Balance at December 31, 2023** | $ 192 | $ 3,181 | $ 3,373 |
| Net amount at risk | $ 425 | $ 14,716 | |
| Weighted-average attained age of contract holders (in years) | 75 | 69 | |

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| | Year ended December 31, 2022 | | |
|---|---|---|---|
| *(In millions)* | Traditional deferred annuities | Indexed annuities | Total |
| **Balance at January 1, 2022** | $ 253 | $ 4,194 | $ 4,447 |
| Issuances | — | 60 | 60 |
| Interest accrual | 4 | 52 | 56 |
| Attributed fees collected | 3 | 330 | 333 |
| Benefit payments | (4) | (49) | (53) |
| Effect of changes in interest rates | (77) | (2,092) | (2,169) |
| Effect of changes in equity | — | 176 | 176 |
| Effect of actual behavior compared to expected behavior | 6 | 42 | 48 |
| Effect of changes in other future expected assumptions | (2) | (41) | (43) |
| Balance, end of period, before changes in instrument-specific credit risk | 183 | 2,672 | 2,855 |
| Effect of changes in instrument-specific credit risk | (13) | (353) | (366) |
| **Balance at December 31, 2022** | $ 170 | $ 2,319 | $ 2,489 |
| Net amount at risk | $ 422 | $ 13,581 | |
| Weighted-average attained age of contract holders (in years) | 74 | 68 | |

The following is a reconciliation of market risk benefits to the condensed consolidated balance sheets. Market risk benefit assets are included in other assets on the condensed consolidated balance sheets.

| | December 31, 2023 | | | December 31, 2022 | | |
|---|---|---|---|---|---|---|
| *(In millions)* | Asset | Liability | Net liability | Asset | Liability | Net liability |
| Traditional deferred annuities | $ — | $ 192 | $ 192 | $ — | $ 170 | $ 170 |
| Indexed annuities | 378 | 3,559 | 3,181 | 481 | 2,800 | 2,319 |
| **Total** | $ 378 | $ 3,751 | $ 3,373 | $ 481 | $ 2,970 | $ 2,489 |

During the year ended December 31, 2023, net market risk benefit liabilities increased by $884 million, which was primarily driven by $338 million in fees collected from policyholders, a $374 million change in instrument-specific credit risk related to tightening of credit spreads, $157 million of interest accrual, and issuances of  $106 million, partially offset by $119 million of changes related to equity market performance and a decrease of $91 million related to changes in the risk-free discount rate across the curve.

During the year ended December 31, 2022, net market risk benefit liabilities decreased by $1,958 million, which was primarily driven by a decrease of $2,169 million related to changes in the risk-free discount rate across the curve and a $366 million change in instrument-specific credit risk related to widening of credit spreads, partially offset by $333 million of fees collected from policyholders and $176 million of changes related to equity market performance.

The determination of the fair value of market risk benefits requires the use of inputs related to fees and assessments and assumptions in determining the projected benefits in excess of the projected account balance. Judgment is required for both economic and actuarial assumptions, which can be either observable or unobservable, that impact future policyholder account growth.

Economic assumptions include interest rates and implied volatilities throughout the duration of the liability. For indexed annuities, assumptions also include projected equity returns which impact cash flows attributable to indexed strategies, implied equity volatilities, expected index credits on the next policy anniversary date and future equity option costs. Assumptions related to the level of option budgets used for determining the future equity option costs and the impact on future policyholder account value growth are considered unobservable inputs.

Policyholder behavior assumptions are unobservable inputs and are established using accepted actuarial valuation methods to estimate withdrawals (surrender rate) and income rider utilization. Assumptions are generally based on industry data and pricing assumptions which are updated for actual experience, if necessary. Actual experience may be limited for recently issued products.

All inputs are used to project excess benefits and fees over a range of risk-neutral, stochastic interest rate scenarios. For indexed annuities, stochastic equity return scenarios are also included within the range. A risk margin is incorporated within the discount rate to reflect uncertainty in the projected cash flows such as variations in policyholder behavior, as well as a credit spread to reflect our nonperformance risk, which is considered an unobservable input. We use the credit spread, relative to the US Treasury curve based on our public credit rating as of the valuation date, as the credit spread to reflect our nonperformance risk in the estimate of the fair value of market risk benefits.

The following summarizes the unobservable inputs for market risk benefits:

| | December 31, 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| *(In millions, except for percentages)* | Fair value | Valuation technique | Unobservable inputs | Minimum | Maximum | Weighted average | Impact of an increase in the input on fair value |
| Market risk benefits, net | $ 3,373 | Discounted cash flow | Nonperformance risk | 0.4 % | 1.4 % | 1.2 % [1] | Decrease |
| | | | Option budget | 0.5 % | 6.0 % | 1.9 % [2] | Decrease |
| | | | Surrender rate | 3.2 % | 6.4 % | 4.5 % [2] | Decrease |
| | | | Utilization rate | 28.6 % | 95.0 % | 83.6 % [3] | Increase |

| | December 31, 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| *(In millions, except for percentages)* | Fair value | Valuation technique | Unobservable inputs | Minimum | Maximum | Weighted average | Impact of an increase in the input on fair value |
| Market risk benefits, net | $ 2,489 | Discounted cash flow | Nonperformance risk | 0.2 % | 1.6 % | 1.4 % [1] | Decrease |
| | | | Option budget | 0.5 % | 5.3 % | 1.7 % [2] | Decrease |
| | | | Surrender rate | 3.3 % | 6.7 % | 4.4 % [2] | Decrease |
| | | | Utilization rate | 28.6 % | 95.0 % | 82.3 % [3] | Increase |

[1] *The nonperformance risk weighted average is based on the cash flows underlying the market risk benefit reserve.*

[2] *The option budget and surrender rate weighted averages are calculated based on projected account values.*

[3] *The utilization of GLWB withdrawals represents the estimated percentage of policyholders that are expected to use their income rider over the duration of the contract, with the weighted average based on current account values.*

## 11. Closed Block

We pay guaranteed benefits under all policies included in the Closed Blocks. In the event the performance of the Closed Blocks' assets are insufficient to maintain dividend scales and interest credits, we may reduce the policyholder dividend scales. In the event dividends have been reduced to zero and the Closed Blocks' assets remain insufficient to fund the Closed Blocks' guaranteed benefits, we would use assets supporting open block policies or surplus to meet the contractual benefits of the Closed Blocks' policyholders. The ILICO Closed Block has been ceded to Global Atlantic. Therefore, Global Atlantic would be required to provide funding for any asset insufficiency related to the ILICO Closed Block. Additionally, the AmerUs Closed Block has a letter of credit and tail risk reinsurance agreement in place that limits our exposure to potential asset insufficiency.

We elected the fair value option for the AmerUs Closed Block. The fair value of liabilities of the AmerUs Closed Block was derived at election as the sum of the fair value of the AmerUs Closed Block assets plus our cost of capital in the AmerUs Closed Block. The cost of capital was then determined to be the present value of the projected release of required capital and future after tax earnings on required capital supporting the AmerUs Closed Block, discounted at a rate which represents a market participant's required rate of return, less the initial required capital. At each reporting period, we record the fair value of the AmerUs Closed Block by adjusting the change in liabilities, exclusive of the cost of capital, to equal the change in assets. We do not record additional policyholder dividend obligations, as there are no future US GAAP earnings available to the policyholders.

The excess of the fair value of the liabilities over the fair value of the assets represents our cost of capital in the AmerUs Closed Block. The maximum amount of future earnings from the assets and liabilities of the AmerUs Closed Block is represented by the reduction in the cost of capital in future years based on the operations of the AmerUs Closed Block and recalculation of the cost of capital each reporting period.

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Summarized financial information of the AmerUs Closed Block is presented below.

| | December 31, | |
|---|---|---|
| *(In millions)* | 2023 | 2022 |
| **Liabilities** | | |
| Future policy benefits | $ 1,178 | $ 1,164 |
| Other policy claims and benefits | 12 | 16 |
| Dividends payable to policyholders | 70 | 73 |
| Other liabilities | 7 | 9 |
| **Total liabilities** | 1,267 | 1,262 |
| **Assets** | | |
| Trading securities | 989 | 1,016 |
| Mortgage loans | 11 | 14 |
| Policy loans | 128 | 134 |
| Total investments | 1,128 | 1,164 |
| Cash and cash equivalents | 88 | 42 |
| Accrued investment income | 14 | 14 |
| Reinsurance recoverable | 12 | 13 |
| Other assets | 1 | 2 |
| **Total assets** | 1,243 | 1,235 |
| **Maximum future earnings to be recognized from AmerUs Closed Block** | $ 24 | $ 27 |

The following represents the contribution from AmerUs Closed Block.

| | Years ended December 31, | |
|---|---|---|
| *(In millions)* | 2023 | 2022 |
| **Revenues** | | |
| Premiums | $ 29 | $ 29 |
| Net investment income | 68 | 67 |
| Investment related gains (losses) | 40 | (310) |
| **Total revenues** | 137 | (214) |
| **Benefits and Expenses** | | |
| Future policy and other policy benefits | 111 | (242) |
| Dividends to policyholders | 21 | 22 |
| **Total benefits and expenses** | 132 | (220) |
| **Contribution from AmerUs Closed Block before income taxes** | 5 | 6 |
| Income tax expense | 2 | 1 |
| **Contribution from AmerUs Closed Block, net of income taxes** | $ 3 | $ 5 |

## 12. Debt

**Credit Facility —** On June 30, 2023, AHL, ALRe, AUSA and AARe entered into a new, five-year revolving credit agreement with a syndicate of banks and Citibank, N.A. as administrative agent Credit Facility), which replaced our previous revolving credit agreement dated as of December 3, 2019. The previous agreement, and the commitments under it, terminated as of June 30, 2023. The Credit Facility is unsecured and has a commitment termination date of June 30, 2028, subject to up to two one-year extensions, in accordance with the terms of the Credit Facility. In connection with the Credit Facility, AHL and AUSA guaranteed all of the obligations of AHL, ALRe, AARe and AUSA under the Credit Facility and the related loan documents, and ALRe and AARe guaranteed certain of the obligations of AHL, ALRe, AARe and AUSA under the Credit Facility and the related loan documents. The borrowing capacity under the Credit Facility is $1.25 billion, subject to being increased up to $1.75 billion in total on the terms described in the Credit Facility. The Credit Facility contains various standard covenants with which we must comply, including the following:

1. Consolidated debt-to-capitalization ratio of not greater than 35%;
2. Minimum consolidated net worth of no less than $14.8 billion; and
3. Restrictions on our ability to incur debt and liens, in each case with certain exceptions.

Interest accrues on outstanding borrowings at either the adjusted term secured overnight financing rate plus a margin or the base rate plus a margin, with the applicable margin varying based on AHL's debt rating. Rates and terms are as defined in the Credit Facility. As of December 31, 2023 and 2022, we had no amounts outstanding under the current or previous credit facilities and were in compliance with all financial covenants under the facilities.

**Liquidity Facility -** On June 30, 2023, AHL and ALRe entered into a new revolving credit agreement with a syndicate of banks and Wells Fargo Bank, National Association, as administrative agent (Liquidity Facility), which replaced our previous revolving credit agreement dated as of July 1, 2022. The previous credit agreement, and the commitments under it, expired on June 30, 2023. The Liquidity Facility is unsecured and has a commitment termination date of June 28, 2024, subject to any extensions of additional 364-day periods with consent of extending lenders and/or "term-out" of outstanding loans (by which, at our election, the outstanding loans may be converted to term loans which shall have a maturity of up to one year after the original maturity date), in each case in accordance with the terms of the Liquidity Facility. In connection with the Liquidity Facility, ALRe guaranteed all of the obligations of AHL under the Liquidity Facility and the related loan documents. The Liquidity Facility will be used for liquidity and working capital needs to meet short-term cash flow and investment timing differences. The borrowing capacity under the Liquidity Facility is $2.6 billion, subject to being increased up to $3.1 billion in total on the terms described in the Liquidity Facility. The Liquidity Facility contains various standard covenants with which we must comply, including the following:

1. ALRe minimum consolidated net worth of no less than $8.8 billion; and
2. Restrictions on our ability to incur liens, with certain exceptions.

Interest accrues on outstanding borrowings at either the adjusted term secured overnight financing rate plus a margin or the base rate plus a margin, with applicable margin varying based on ALRe's financial strength rating. Rates and terms are as defined in the Liquidity Facility. As of December 31, 2023 and 2022, we had no amounts outstanding under the current or previous liquidity facilities and were in compliance with all covenants under the facilities.

## 13. Equity

**Common Stock -** We have one class of common shares, which represents 100% of the total voting power, and is beneficially owned by Athene USA Corporation (AUSA) effective December 31, 2018. We have an authorized share capital of $250,000, comprised of 250,000 common shares of par value $1.00 each, of which 250,000 have been issued to AUSA.

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**Accumulated Other Comprehensive Income (Loss) -** The following provides the details and changes in AOCI:

| *(In millions)* | Unrealized investment gains (losses) on AFS securities with a credit allowance | Unrealized investment gains (losses) on AFS securities without a credit allowance | Unrealized gains (losses) on hedging instruments | Remeasurement gain (loss) on future policy benefits related to discount rate | Remeasurement gain (loss) on market risk benefits related to credit risk | Foreign currency translation and other adjustments | Accumulated other comprehensive income (loss) |
|---|---|---|---|---|---|---|---|
| Balance at January 1, 2022 | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| Other comprehensive income (loss) before reclassifications | (17,929) | (463) | 69 | 8,425 | 366 | (43) | (9,575) |
| Less: Reclassification adjustments for gains (losses) realized in net income[1] | (218) | (18) | 67 | — | — | — | (169) |
| Less: Income tax expense (benefit) | (3,154) | (86) | 12 | 1,223 | 77 | (5) | (1,933) |
| Less: Other comprehensive income (loss) attributable to noncontrolling interests, net of tax | (1,992) | (25) | (57) | 1,946 | 4 | (12) | (136) |
| **Balance at December 31, 2022** | (12,565) | (334) | 47 | 5,256 | 285 | (26) | (7,337) |
| Other comprehensive income (loss) before reclassifications | 5,067 | 51 | (117) | (2,236) | (374) | 42 | 2,433 |
| Less: Reclassification adjustments for gains (losses) realized in net income[1] | (163) | (3) | 82 | — | — | — | (84) |
| Less: Income tax expense (benefit) | 588 | 6 | (51) | 38 | (78) | 8 | 511 |
| Less: Other comprehensive income (loss) attributable to noncontrolling interests, net of subsidiary issuance of equity interests and tax | 749 | 3 | (19) | (476) | (14) | 9 | 252 |
| **Balance at December 31, 2023** | $ (8,672) | $ (289) | $ (82) | $ 3,458 | $ 3 | $ (1) | $ (5,583) |

[1] *Recognized in investment related gains (losses) on the consolidated statements of income (loss).*

## 14. Income Taxes

Income tax expense (benefit) consists of the following:

| *(In millions)* | Years ended December 31, 2023 | 2022 |
|---|---|---|
| Current[1] | $ 728 | $ 377 |
| Deferred | (1,836) | (1,052) |
| **Income tax expense (benefit)** | $ (1,108) | $ (675) |

[1] *Includes $49 million of proportional amortization, $(164) million of tax credits and $103 million of transaction costs relating to low-income housing and transferable energy tax credits for the year ended December 31, 2023.*

Income tax expense (benefit) was calculated based on the following income (loss) before income taxes by jurisdiction:

| *(In millions)* | Years ended December 31, 2023 | 2022 |
|---|---|---|
| Bermuda | $ 2,613 | $ (3,424) |
| US | 2,235 | (2,095) |
| United Kingdom | 37 | 22 |
| **Income (loss) before income taxes** | $ 4,885 | $ (5,497) |

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A reconciliation of the difference between the expected tax provision at the US statutory tax rate and income tax expense (benefit) is as follows:

| *(In millions, except for percentages)* | Years ended December 31, 2023 | 2022 |
|---|---|---|
| Expected tax provision computed on pre-tax income (loss) | $ 1,026 | $ (1,154) |
| (Decrease) increase in income taxes resulting from: | | |
| Deferred tax valuation allowance | 25 | — |
| Non-deductible expenses | 4 | 1 |
| Prior year true-up | (35) | 47 |
| Non-controlling interest | (245) | 446 |
| Stock compensation expense | (1) | 5 |
| Other | (105) | (20) |
| Bermuda tax | (1,764) | — |
| Tax Credits | (13) | — |
| **Income tax expense (benefit)** | $ (1,108) | $ (675) |
| **Effective tax rate** | (23)% | 12 % |

On December 27, 2023, the Government of Bermuda enacted the Corporate Income Tax Act of 2023 (Bermuda CIT). Commencing on January 1, 2025, the Bermuda CIT generally will impose a 15% corporate income tax on in-scope entities that are resident in Bermuda or have a Bermuda permanent establishment, without regard to any assurances that have been given pursuant to the Exempted Undertakings Tax Protection Act 1966. We recorded material deferred tax assets as a result of the passage of the Bermuda CIT and recognized a material impact (decrease) to our consolidated effective tax rate upon recording the deferred tax assets.

Total income taxes were as follows:

| *(In millions)* | Years ended December 31, 2023 | 2022 |
|---|---|---|
| Income tax expense | $ (1,108) | $ (675) |
| Income tax expense (benefit) from OCI | 511 | (1,933) |
| **Total income tax expense (benefit)** | $ (597) | $ (2,608) |

Current income tax recoverable and deferred tax assets are included in other assets on the consolidated balance sheets, and current income tax payable and deferred tax liabilities are included in other liabilities on the consolidated balance sheets. Current and deferred income tax assets and liabilities were as follows:

| *(In millions)* | December 31, 2023 | 2022 |
|---|---|---|
| Current income tax recoverable | $ — | $ 266 |
| Current income tax payable | 14 | — |
| **Net current income tax recoverable (payable)** | $ (14) | $ 266 |
| Deferred tax assets | $ 5,699 | $ 4,423 |
| Deferred tax liabilities | 11 | 34 |
| **Net deferred tax assets (liabilities)** | $ 5,688 | $ 4,389 |

Deferred income tax assets and liabilities consisted of the following:

| | December 31, | |
|---|---|---|
| *(In millions)* | 2023 | 2022 |
| Deferred tax assets | | |
| Insurance liabilities | $ 1,742 | $ 1,015 |
| Net operating and capital loss carryforwards | 249 | 68 |
| Investments, including derivatives and unrealized losses on AFS | 1,940 | 3,381 |
| Employee benefits | — | 2 |
| Investment in foreign subsidiaries | 1,176 | 1,053 |
| Bermuda tax | 1,764 | — |
| Other | 185 | — |
| Total deferred tax assets | 7,056 | 5,519 |
| Valuation allowance | (25) | — |
| Deferred tax assets, net of valuation allowance | 7,031 | 5,519 |
| Deferred tax liabilities | | |
| Intangible assets | 352 | 378 |
| DAC, DSI and VOBA | 954 | 713 |
| Other | 37 | 39 |
| Total deferred tax liabilities | 1,343 | 1,130 |
| **Net deferred tax assets (liabilities)** | $ 5,688 | $ 4,389 |

As of December 31, 2023, we have US federal net operating losses of $1,054 million, which will begin to expire by 2041; UK net operating losses of $128 million, which do not expire; and an estimated Bermuda tax loss carryforward, as of January 1, 2025 (the effective date), of $7,277 million, which does not expire.

The valuation allowance consists of the following:

| | December 31, | |
|---|---|---|
| *(In millions)* | 2023 | 2022 |
| US federal and state net operating losses and other deferred tax assets | $ — | $ — |
| UK net operating losses and other deferred tax assets | 25 | — |
| **Total valuation allowance** | $ 25 | $ — |

The primary jurisdictions in which we operate and incur income taxes are the US, UK and, beginning January 1, 2025, Bermuda. We have accumulated undistributed earnings generated by certain foreign subsidiaries, which we intend to indefinitely reinvest. As such, we have not recorded deferred taxes related to the accumulated undistributed earnings. We determined that estimating the unrecognized tax liability is not practicable.

The UK enacted legislation in July 2023 implementing certain provisions of the Organisation for Economic Cooperation and Development's "Pillar Two" global minimum tax initiative (Pillar Two) that will apply to multinational enterprises for accounting periods beginning on or after December 31, 2023. On November 29, 2023, a bill was introduced to UK Parliament which proposes certain amendments to the previously enacted Pillar Two legislation and which would include new Pillar Two provisions for accounting periods beginning on or after December 31, 2024. We are continuing to evaluate the potential impact on future periods of Pillar Two, pending legislative adoption by individual countries, as such legislative changes could result in changes to our effective tax rate.

On August 16, 2022, the US government enacted the Inflation Reduction Act of 2022 (IRA). The IRA contains a number of tax-related provisions including a 15% minimum corporate income tax on certain large corporations (CAMT) as well as an excise tax on stock repurchases. Based on interpretations and assumptions we have made regarding the CAMT provisions of the IRA, which may change once further regulatory guidance is issued, CAMT as well as the excise tax on stock repurchases had no impact on our consolidated financial statements.

AARe and its US subsidiaries file as members of the US federal consolidated tax return and various state governments. AARe's Bermuda subsidiaries file protective US income tax returns, Athene Co-Invest Reinsurance Affiliate 1B Ltd. (ACRA 1B) files a standalone US federal return and Athene Co-Invest Reinsurance Affiliate 2B Ltd. (ACRA 2B) files a consolidated US federal tax return with its subsidiary, ACRA 2B US LLC. AARe and its subsidiaries are not currently under audit by the IRS or any state taxing authority.

## 15. Statutory Requirements

Our insurance and reinsurance subsidiaries are subject to insurance laws and regulations in the jurisdictions in which they operate including Bermuda and the US. Certain regulations include restrictions that limit the dividends or other distributions, such as loans or cash advances, available to shareholders without prior approval of the insurance regulatory authorities. The differences between financial statements prepared for insurance regulatory authorities and US GAAP financial statements vary by jurisdiction.

**Bermuda statutory requirements -** AARe, ALRe and Athene Co-Invest Reinsurance Affiliate 1A Ltd. (ACRA 1A) and Athene Co-Invest Reinsurance Affiliate 2A Ltd. (ACRA 2A) are each licensed by the Bermuda Monetary Authority (BMA) as long-term insurers and are subject to the Insurance Act 1978, as amended (Bermuda Insurance Act) and regulations promulgated thereunder. The BMA implemented the Economic Balance Sheet (EBS) framework into the Bermuda Solvency Capital Requirement (BSCR), which was granted equivalence to the European Union's Directive (2009/138/EC) (Solvency II).

Under the Bermuda Insurance Act, long-term insurers are required to maintain minimum statutory capital and surplus to meet the minimum margin of solvency (MMS) and minimum economic statutory capital and surplus (EBS capital and surplus) to meet the Enhanced Capital Requirement (ECR). For our Class C reinsurers, ACRA 1A and ACRA 2A, MMS is equal to the greater of $500,000, 1.5% of the total statutory assets or 25% of ECR. For our Class E reinsurers, ALRe and AARe, MMS is equal to the greater of $8 million, 2% of the first $500 million of statutory assets plus 1.5% of statutory assets above $500 million or 25% of ECR. For each class, the ECR is calculated based on a risk-based capital model where risk factor charges are applied to the EBS. The ECR is floored at the MMS. As of December 31, 2023, our Bermuda subsidiaries were in excess of the minimum levels required. For our Bermuda reinsurance subsidiaries, the ECR is the binding regulatory constraint.

The following represents the EBS capital and surplus and BSCR ratios:

| | December 31, | | | |
|---|---|---|---|---|
| | 2023[1] | | 2022 | |
| *(In millions, except percentages)* | EBS capital & surplus | BSCR ratio | EBS capital & surplus | BSCR ratio |
| ALRe | $ 19,882 | 258 % | $ 16,521 | 252 % |
| AARe | 26,960 | 285 % | 21,735 | 275 % |
| ACRA 1A | 5,013 | 207 % | 5,719 | 252 % |
| ACRA 2A | 3,615 | 299 % | 198 | N/A |

[1] *Amounts reported reflect our best estimates as of the date these financial statements were issued and exclude the impact of any deferred taxes that may be recorded on a statutory basis as a result of the enactment of the Bermuda CIT.*

Under the Bermuda statutory framework, statutory financial statements are generally equivalent to GAAP financial statements, with the exception of prudential filters and permitted practices granted by the BMA. Our Bermuda subsidiaries have permission in the statutory financial statements to use amortized cost instead of fair value as the basis for certain investments. Additionally, our Bermuda subsidiaries use US statutory reserving principles for the calculation of insurance reserves instead of US GAAP, subject to the reserves being proved adequate based on cash flow testing. The following represents the effect of the permitted practices to the statutory financial statements:

| | December 31, 2023 | | | |
|---|---|---|---|---|
| *(In millions)* | ALRe | AARe | ACRA 1A | ACRA 2A |
| Increase (decrease) to capital and surplus due to permitted practices | $ 3,031 | $ 5,436 | $ 4,105 | $ (938) |
| Increase (decrease) to statutory net income due to permitted practices | (1,593) | (5,791) | (1,471) | (930) |

Under the Bermuda Insurance Act, our Bermuda subsidiaries are prohibited from paying a dividend in an amount exceeding 25% of the prior year's statutory capital and surplus, unless at least two members of the companies' respective board of directors and its principal representative in Bermuda sign and submit to the BMA an affidavit attesting that a dividend in excess of this amount would not cause the subsidiary to fail to meet its relevant margins. In certain instances, the Bermuda subsidiary would also be required to provide prior notice to the BMA in advance of the payment of dividends. In the event that such an affidavit is submitted to the BMA, and further subject to meeting the MMS and ECR requirements, a Bermuda subsidiary is permitted to distribute up to the sum of 100% of statutory surplus and an amount less than 15% of statutory capital. Distributions in excess of this amount require the approval of the BMA. The following represents the maximum distribution our Bermuda subsidiaries would be permitted to remit to its parent without the need for prior approval:

| | December 31, | |
|---|---|---|
| *(In millions)* | 2023 | 2022 |
| ALRe | $ 7,023 | $ 5,550 |
| AARe | 8,012 | 7,050 |
| ACRA 1A | 1,614 | 1,912 |
| ACRA 2A | 30 | — |

**US statutory requirements -** Our regulated US subsidiaries and the corresponding insurance regulatory authorities are as follows:

| Subsidiary | Regulatory Authority |
|---|---|
| AADE | Delaware Department of Insurance |
| AAIA | Iowa Insurance Division |
| AANY | New York Department of Financial Services |
| Athene Re USA IV | State of Vermont Department of Financial Regulation |

Each entity's statutory statements are presented on the basis of accounting practices determined by the respective regulatory authority. The regulatory authority recognizes only statutory accounting practices prescribed or permitted by the corresponding state for determining and reporting the financial condition and results of operations of an insurance company and for determining its solvency under insurance law.

The maximum dividend these subsidiaries can pay to shareholders, without prior approval of the respective state insurance department, is subject to restrictions relating to statutory surplus or net gain from operations. The maximum dividend payment over a twelve-month period may not, without prior approval, be paid from a source other than earned surplus and may not exceed the greater of (1) the prior year's net gain from operations or (2) 10% of prior year's policyholders' surplus. Based on these restrictions, the maximum dividend AADE could pay to AUSA absent regulatory approval was $0 million as of each December 31, 2023 and 2022. Any dividends from AHL's other US statutory entities in excess of the amounts allowed for AADE would not be able to be remitted to AUSA without regulatory approval from the Delaware Department of Insurance.

As of December 31, 2023, our US subsidiaries' solvency, liquidity and risk-based capital amounts were significantly in excess of the minimum levels required.

In some instances, the states of domicile of our US subsidiaries have adopted prescribed accounting practices that differ from the required accounting outlined in NAIC Statutory Accounting Principles (SAP). These subsidiaries also have certain accounting practices permitted by the states of domicile that differ from those found in NAIC SAP. These prescribed and permitted practices are described as follows:

*AAIA* - Among the products issued by AAIA are indexed universal life insurance and fixed indexed annuities. These products allow a portion of the premium to earn interest based on certain indices, primarily the S&P 500. We purchase call options, futures and variance swaps to hedge the growth in interest credited to the customer as a direct result of increases in the related index. The Iowa Insurance Division allows an insurer to elect (1) to use an amortized cost method to account for certain derivative instruments, such as call options, purchased to hedge the growth in interest credited to the customer on indexed insurance products and (2) to use an indexed annuity reserve calculation methodology under which call options associated with the current index interest crediting term are valued at zero. AAIA has elected to apply this option to its over-the-counter call options and reserve liabilities. As a result, AAIA's statutory surplus decreased by $28 million and increased by $62 million as of December 31, 2023 and 2022, respectively.

*Athene Re USA IV* - AAIA has ceded the AmerUs Closed Block to Athene Re USA IV on a 100% funds withheld basis. A permitted practice in the State of Vermont allows Athene Re USA IV to include as admitted assets the face amount of all issued and outstanding letters of credit used to fund its reinsurance obligations to AAIA in its statutory financial statements. If Athene Re USA IV had not followed this permitted practice, then it would not have exceeded authorized control level risk based capital requirements. As of December 31, 2023 and 2022, Athene Re USA IV included as admitted assets $96 million and $112 million, respectively, related to the outstanding letters of credit.

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**Statutory capital and surplus and net income (loss)**—The following table presents, for each of our primary insurance subsidiaries, the statutory capital and surplus and the statutory net income (loss), based on the most recent statutory financial statements to be filed with insurance regulators:

| | Statutory capital & surplus | | Statutory net income (loss) | |
|---|---|---|---|---|
| *(In millions)* | December 31, 2023 | December 31, 2022 | Year Ended December 31, 2023 | Year Ended December 31, 2022 |
| ALRe | $ 14,474 | $ 13,084 | $ 832 | $ 937 |
| AARe | 17,773 | 17,126 | 408 | 1,329 |
| ACRA 1A | 5,092 | 5,637 | 297 | (87) |
| ACRA 2A | 1,952 | 198 | (759) | (2) |
| AADE | 3,144 | 2,298 | — | (20) |
| AAIA | 2,876 | 2,067 | (209) | (238) |
| AANY | 290 | 284 | (3) | (23) |

## 16. Related Parties

**Unsecured Revolving Notes Receivable -** AARe and its wholly owned subsidiaries have unsecured revolving notes agreements with AHL and AUSA.

The unsecured revolving note receivable from AHL to ALRe has a borrowing capacity of $4 billion, which was increased from $2 billion on September 13, 2022 . As of December 31, 2023 and 2022, the unsecured note receivable had an outstanding balance of $486 million and $896 million, respectively. Interest accrues at a fixed rate of 2.29% per year and has a maturity date of the earlier of December 15, 2028 and the demand repayment date.

The unsecured revolving note receivable from AUSA to ALRe has a borrowing capacity of $4 billion, which was increased from $2 billion on September 22, 2022. As of December 31, 2023 and 2022, the revolving note receivable had an outstanding balance of $760 million and $393 million, respectively. On May 15, 2023, the interest rate accrual was amended from US short-term to US medium-term applicable federal rate per year and the maturity date was amended from May 15, 2023 to the earlier of May 15, 2028 and the demand repayment date.

The unsecured revolving note receivable from AUSA to AARe has a borrowing capacity of $1 billion, which was increased from $250 million on December 16, 2022. As of December 31, 2023 and 2022, the revolving note receivable had no outstanding balance. On July 1, 2023, the interest rate was amended from US short-term to US medium-term applicable federal rate per year and the maturity date was amended from July 1, 2024 to the earlier of July 1, 2028 and the demand repayment date.

**Unsecured Revolving Note Payable -** In addition to the unsecured revolving notes receivable described above, AARe has an unsecured revolving note agreement with AHL and AUSA.

The unsecured revolving note payable to AHL permits ALRe to borrow up to $4 billion, which was increased from $2 billion on September 13, 2022, with interest accrues at a fixed rate of 2.29% per year and has a maturity date of the earlier of December 15, 2028 and the demand repayment date. As of December 31, 2023 and 2022, the revolving note payable had no outstanding balance.

The unsecured revolving note payable to AUSA permits AARe to borrow up to $1 billion, which was increase from $250 million on December 16, 2022. As of December 31, 2023 and 2022, the revolving note payable had an outstanding balance of $648.8 million and $199.8 million, respectively. As of July 1, 2023, the interest rate was amended from the US short-term applicable federal rate to US medium-term applicable federal rate per year and the maturity date was amended from July 1, 2024 to the earlier of July 1, 2028 and the demand repayment date.

**Apollo**

*Fee structure* - Substantially all of our investments are managed by Apollo. Apollo provides us a full suite of services that includes: direct investment management; asset sourcing and allocation; mergers and acquisition sourcing, execution and asset diligence; and strategic support and advice. Apollo also provides certain operational support services for our investment portfolio including investment compliance, tax, legal and risk management support.

Apollo has extensive experience managing our investment portfolio and its knowledge of our liability profile enables it to tailor an asset management strategy to fit our specific needs. This strategy has proven responsive to changing market conditions and focuses on earning incremental yield by taking measured liquidity risk and complexity risk, rather than assuming incremental credit risk. Our partnership has enabled us to take advantage of investment opportunities that would likely not otherwise have been available to us.

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Under our fee agreement with Apollo, we pay Apollo a base management fee of (1) 0.225% per year on a monthly basis equal to the lesser of (A) $103.4 billion, which represents the aggregate fair market value of substantially all of the assets in substantially all of the accounts of or relating to us (collectively, the Accounts) as of December 31, 2018 (Backbook Value), and (B) the aggregate book value of substantially all of the assets in the Accounts at the end of the respective month, plus (2) 0.15% per year of the amount, if any, by which the aggregate book value of substantially all of the assets in the Accounts at the end of the respective month exceeds the Backbook Value, subject to certain adjustments. Additionally, we pay a sub-allocation fee based on specified asset class tiers ranging from 0.065% to 0.70% of the book value of such assets, with the higher percentages in this range for asset classes that are designed to have more alpha generating abilities. Effective December 31, 2023, in addition to the base and sub-allocation fees specified above, we pay Apollo a target annual performance fee of $37.5 million, with the amount of the annual performance fee ranging from between 0 and 2 of such target amount, based on our performance against our spread related earnings for the year relative to our targets, beginning with the performance period for the second half of 2023.

During the year ended December 31, 2023 and 2022 we incurred management fees, inclusive of the base and sub-allocation fees, of $886 million and $707 million, respectively. Management fees are included within net investment income on the consolidated statements of income (loss). As of December 31, 2023 and 2022, management fees payable were $91 million and $70 million, respectively, and are included in other liabilities on the consolidated balance sheets. Such amounts include fees incurred attributable to Athene Co-Invest Reinsurance Affiliate Holding Ltd. (together with its subsidiaries, ACRA 1) and Athene Co-Invest Reinsurance Affiliate Holding 2 Ltd. (together with its subsidiaries, ACRA 2) including any noncontrolling interests associated with ACRA 1 and ACRA 2 (collectively, ACRA).

In addition to the assets on our consolidated balance sheets managed by Apollo, Apollo manages the assets underlying our funds withheld receivable. For these assets, the third-party cedants pay Apollo fees based upon the same fee construct we have with Apollo. Such fees directly reduce the settlement payments that we receive from the third-party cedant and, as such, we indirectly pay those fees. Finally, Apollo charges management fees and carried interest on Apollo-managed funds and other entities in which we invest. Neither the fees paid by such third-party cedants nor the fees or carried interest paid by such Apollo-managed funds or other entities are included in the investment management fee amounts noted above.

*Governance* - AHL has a management investment committee, which includes members of our senior management and reports to the risk committee of AHL's board of directors. The committee focuses on strategic decisions involving our investment portfolio, such as approving investment limits, new asset classes and our allocation strategy, reviewing large asset transactions, as well as monitoring our credit risk, and the management of our assets and liabilities.

AGM owns all of AHL's common stock and prior to the merger with AGM on January 1, 2022 a significant voting interest in AHL was held by shareholders who are members of Apollo. Also, James Belardi, AHL's Chief Executive Officer, serves as a member of the board of directors and an executive officer of AGM, and Chief Executive Officer of ISG, which is also a subsidiary of AGM. Mr. Belardi also owns a profit interest in ISG and in connection with such interest receives quarterly distributions equal to 3.35% of base management fees and 4.5% of subadvisory fees, as such fees are defined in our fee agreement with Apollo. Additionally, 5 of the 12 members of our board of directors (including Mr. Belardi) are employees of or consultants to Apollo. In order to protect against potential conflicts of interest resulting from transactions into which we have entered and will continue to enter into with Apollo, AHL's bylaws require them to maintain a conflicts committee comprised solely of directors who are not general partners, directors (other than independent directors of AGM), managers, officers or employees of any member of Apollo. The conflicts committee reviews and approves material transactions between AHL and Apollo, subject to certain exceptions.

**Other related party transactions**

*Apollo Aligned Alternatives Aggregator, L.P. (AAA)* - We consolidate AAA as a VIE. Apollo established AAA for the purpose of providing a single vehicle through which we and third-party investors can participate in a portfolio of alternative investments, which include those managed by Apollo. Additionally, we believe AAA enhances Apollo's ability to increase alternative assets under management (AUM) by raising capital from third parties, which will allow Athene to achieve greater scale and diversification for alternatives. Third-party investors began to invest in AAA on July 1, 2022. During the year ended December 31, 2022, we contributed $1,064 million of certain of our alternative investments to AAA in exchange for limited partnership interests in AAA.

*Atlas Securitized Products Holdings LP (Atlas)* - We have an equity investment in Atlas, an asset-backed specialty lender, through our investment in AAA. As of December 31, 2023 and 2022, we held $1,008 million and $0 million, respectively, of related party AFS securities issued by Atlas. Additionally, we held $921 million and $0 million of reverse repurchase agreements issued by Atlas as of December 31, 2023 and 2022, respectively, which are held as related party short-term investments on the consolidated balance sheets. See *Note 17 – Commitments and Contingencies* for further information on assurance letters issued in support of Atlas.

*Catalina* – We have an investment in Apollo Rose II (B) (Apollo Rose) which we consolidate as a VIE in 2022. Apollo Rose has equity interests in Catalina Holdings (Bermuda) Ltd. (Catalina) and is reflected in related party investment fund in assets of consolidated VIEs on the consolidated balance sheets. During the fourth quarter of 2022, we entered into a strategic modco reinsurance agreement with Catalina General Insurance Ltd., which is a subsidiary of Catalina, to cede certain inforce funding agreements. We elected the fair value option on this agreement and had a liability of $330 million and $142 million as of December 31, 2023 and 2022, respectively, which is included in other liabilities on the consolidated balance sheets.

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*MidCap Finco Designated Activity Company (MidCap Financial)* – We have various investments in MidCap Financial including an investment through AAA, senior unsecured notes and redeemable preferred stock. We previously directly held MidCap Financial profit participating notes until contribution to AAA during the second quarter of 2022. We also hold structured securities issued by MidCap Financial affiliates. As of December 31, 2023 and 2022, we held securities issued by MidCap and its affiliates of $1,844 million and $1,262 million, respectively, which are included in related party AFS or trading securities on the consolidated balance sheets.

*PK AirFinance* - We have investments in PK AirFinance, an aviation lending business with a portfolio of loans (Aviation Loans). The Aviation Loans are generally fully secured by aircraft leases and aircraft and are securitized by a special purpose vehicle (SPV) for which Apollo acts as ABS manager (ABS-SPV). The ABS-SPV issues tranches of senior notes and subordinated notes, which are secured by the Aviation Loans. We have purchased both senior and subordinated notes of PK AirFinance. During the first quarter of 2022, we contributed our investment in the subordinated notes to PK Air Holdings, LP (PK Air Holdings) and then contributed PK Air Holdings to AAA during the second quarter of 2022. We had investments in PK AirFinance notes of $1,617 million and $1,183 million as of December 31, 2023 and 2022, respectively, which are included in related party AFS on the consolidated balance sheets. We also have commitments to make additional investments in PK Air of $1,422 million as of December 31, 2023.

*Strategic Partnership* - We have an agreement pursuant to which we may invest up to $2.875 billion over three years in funds managed by Apollo entities (Strategic Partnership). This arrangement is intended to permit us to invest across the Apollo alternatives platform into credit-oriented, strategic and other alternative investments in a manner and size that is consistent with our existing investment strategy. Fees for such investments payable by us to Apollo would be more favorable to us than market rates, and consistent with our existing alternative investments, investments made under the Strategic Partnership require approval of ISG and remain subject to our existing governance processes, including approval by our conflicts committee where applicable. During the second quarter of 2022, we contributed the majority of our Strategic Partnership investments to AAA. As of December 31, 2023 and 2022, we had $1,697 million and $1,032 million, respectively, of investments under the Strategic Partnership and these investments are typically included as consolidated VIEs or related party investment funds on the consolidated balance sheets.

*Venerable* - VA Capital Company LLC (VA Capital) is owned by a consortium of investors, led by affiliates of Apollo, Crestview Partners III Management, LLC and Reverence Capital Partners L.P., and is the parent of Venerable Holdings, Inc. (together with its subsidiaries, Venerable). We have a minority equity investment in VA Capital, which was $181 million and $240 million as of December 31, 2023 and 2022, respectively, and is included in related party investment funds on the consolidated balance sheets and accounted for as an equity method investment.

We have coinsurance and modco agreements with VIAC, which is a subsidiary of Venerable. VIAC is a related party due to our investment in VA Capital. Effective July 1, 2023, VIAC recaptured $2.7 billion of reserves, which represents a portion of their business that was subject to those coinsurance and modco agreements. We recognized a gain of $555 million, which is included in other revenues on the consolidated statements of income (loss), in the third quarter of 2023 as a result of the settlement of the recapture agreement. As a result of our intent to transfer the assets supporting this business to VIAC in connection with the recapture, we were required by US GAAP to recognize the unrealized losses on these assets of $104 million as intent-to-sell impairments in the second quarter of 2023.

We also have term loans receivable from Venerable due in 2033, which are included in related party other investments on the consolidated balance sheets. The loans are held at fair value and were $343 million and $303 million as of December 31, 2023 and 2022, respectively. While management views the overall transactions with Venerable as favorable to us, the stated interest rate of 6.257% on the initial term loan to Venerable represented a below-market interest rate, and management considered such rate as part of its evaluation and pricing of the reinsurance transactions.

*Wheels* - We contributed our limited partnership investment in Athene Freedom Parent, LP (Athene Freedom), for which an Apollo affiliate is the general partner, to AAA during the second quarter of 2022. Athene Freedom indirectly invests in Wheels, Inc. (Wheels). We own securities issued by Wheels of $981 million and $1,024 million as of December 31, 2023, and 2022, respectively, which are included in related party AFS securities on the consolidated balance sheets. During the second quarter 2022, we received redemptions on Wheels securities of $1,479 million. We also have commitments to make additional investments in Wheels of $83 million as of December 31, 2023.

*ACRA and Apollo/Athene Dedicated Investment Programs I and II (collectively, ADIP)* - ACRA 1 is partially owned by Apollo/Athene Dedicated Investment Program (ADIP I), a series of funds managed by Apollo. ALRe currently holds 36.55% of the economic interests in ACRA 1 and all of ACRA 1's voting interests, with ADIP I holding the remaining 63.45% of the economic interests. Effective July 1, 2023, ALRe sold 50% of its non-voting, economic interests in ACRA 2 to Apollo/Athene Dedicated Investment Program II (ADIP II), a fund managed by Apollo, for $640 million. Effective December 31, 2023, ACRA 2 repurchased a portion of its shares held by ALRe, which increased ADIP II's ownership of economic interests in ACRA 2 to 60%, with ALRe owning the remaining 40% of economic interests. ALRe holds all of ACRA 2's voting interests.

We received capital contributions and paid distributions relating to ACRA of the following:

| | Years ended December 31, | |
|---|---|---|
| *(In millions)* | 2023 | 2022 |
| Contributions from ADIP | $ 996 | $ 1,047 |
| Distributions to ADIP | (539) | (63) |

Additionally, as of December 31, 2023, and 2022, we had $213 million and $202 million, respectively, of related party payables for contingent investment fees payable by ACRA to Apollo. ACRA is obligated to pay the contingent investment fees on behalf of ADIP and, as such, the balance is attributable to the noncontrolling interests.

## 17. Commitments and Contingencies

**Contingent Commitments -** We had commitments to make investments, primarily capital contributions to investment funds, inclusive of related party commitments discussed previously and those of consolidated VIEs, of $19.1 billion as of December 31, 2023. We expect most of our current commitments will be invested over the next five years; however, these commitments could become due any time upon counterparty request.

**Funding Agreements -** We are a member of the Federal Home Loan Bank of Des Moines (FHLB) and, through membership, we have issued funding agreements to the FHLB in exchange for cash advances. As of December 31, 2023 and 2022 we had $6.5 billion and $3.7 billion, of FHLB funding agreements outstanding. We are required to provide collateral in excess of the funding agreement amounts outstanding, considering any discounts to the securities posted and prepayment penalties.

We have a funding agreement backed notes (FABN) program, which allows Athene Global Funding, a special-purpose, unaffiliated statutory trust, to offer its senior secured medium-term notes. Athene Global Funding uses the net proceeds from each sale to purchase one or more funding agreements from us. As of December 31, 2023 and 2022, we had $19.9 billion and $21.0 billion, respectively, of FABN funding agreements outstanding. We had $14.8 billion of board-authorized FABN capacity remaining as of December 31, 2023.

We also established a secured funding agreement backed repurchase agreement (FABR) program, in which a special-purpose, unaffiliated entity enters into repurchase agreements with a bank and the proceeds of the repurchase agreements are used by the special purpose entity to purchase funding agreements from us. As of December 31, 2023 and 2022, we had $6.0 billion and $3.0 billion, respectively, of FABR funding agreements outstanding.

**Pledged Assets and Funds in Trust (Restricted Assets) -** The total restricted assets included on the consolidated balance sheet are as follows:

| | December 31, | |
|---|---|---|
| *(In millions)* | 2023 | 2022 |
| AFS securities | $ 32,458 | $ 15,366 |
| Trading securities | 139 | 55 |
| Equity securities | 80 | 38 |
| Mortgage loans | 14,257 | 8,849 |
| Investment funds | 409 | 103 |
| Derivative assets | 73 | 65 |
| Short-term investments | 153 | 120 |
| Other investments | 313 | 170 |
| Restricted cash | 1,761 | 628 |
| **Total restricted assets** | $ 49,643 | $ 25,394 |

The restricted assets are primarily related to reinsurance trusts established in accordance with coinsurance agreements and the FHLB and FABR funding agreements described above.

**Letters of Credit -** We have undrawn letters of credit totaling $1,321 million as of December 31, 2023. These letters of credit were issued for our reinsurance program and have expirations through June 19, 2026.

**Assurance Letter -** In connection with our, Apollo and Credit Suisse AG's (CS) previously announced transaction, Atlas acquired certain assets of the CS Securitized Products Group and agreed to pay CS $3.3 billion, of which $0.4 billion is deferred until February 8, 2026, and $2.9 billion is deferred until February 8, 2028. This deferred purchase price is an obligation first of Atlas, and (as a result of additional guarantees provided by AAA, Apollo Asset Management, Inc. (AAM) and AHL) second of AAA, third of AAM, fourth of AHL and fifth of AARe. AARe and AAM have each issued an assurance letter to CS to guarantee the full amount of $3.3 billion. The fair values of the liabilities related to our guarantees are not material to the consolidated financial statements.

## 18. Subsequent Events

The Company has evaluated the impact of subsequent events through April 26, 2024, the date at which the financial statements were available to be issued.

On December 20, 2023, AADE and AAIA executed an Agreement and Plan of Merger pursuant to which, subject to the receipt of all regulatory approvals required in respect thereof, AADE will merge with and into AAIA, with AAIA as the surviving entity (the Merger). The consummation of the Merger will require the approval of the California Department of Insurance, the Delaware Department of Insurance, and the Iowa Insurance Division.

**ATHENE ANNUITY RE LTD.**
**Notes to Consolidated Financial Statements**

## Supplemental Information (Unaudited) Schedule 1

In addition to our audited results presented in accordance with accounting principles generally accepted in the United States of America (US GAAP), we present certain financial information that includes non-GAAP measures. Management believes the use of these non-GAAP measures, together with the relevant US GAAP measures, provides information that may enhance an investor's understanding of our business. These non-GAAP measures are intended to remove the impact of market volatility on AARE's common shareholder's equity.

**Adjusted Common Shareholders' Equity Non-GAAP Reconciliation**

Adjusted AARE common shareholder's equity is calculated as the ending AARE shareholder's equity excluding AOCI, cumulative changes in fair value of funds withheld and Modified Coinsurance (modco) reinsurance assets and mortgage loan assets. The adjustment for cumulative changes in fair value of funds withheld and modco reinsurance assets includes offsets to tax and reserves. These adjustments fluctuate period to period in a manner inconsistent with our underlying profitability drivers as the majority of such fluctuation is related to the market volatility of the unrealized gains and losses associated with Available for Sale (AFS) securities and reinsurance assets. Except with respect to reinvestment activity relating to acquired blocks of business, we typically buy and hold AFS securities and reinsurance assets to maturity throughout the duration of market fluctuations, therefore, the period-over-period impacts in unrealized gains and losses are not necessarily indicative of current operating fundamentals or future performance. However, we believe the adjustments to shareholder's equity are significant to gaining an understanding of our capitalization.

The reconciliation of total AARE common shareholder's equity to total adjusted AARE common shareholder's equity is as follows:

| | Years ended December 31, | |
|---|---|---|
| *(In millions)* | 2023 | 2022 |
| Total AARE common shareholder's equity | $ 16,608 | $ 9,546 |
| Less: Accumulated other comprehensive income/(loss) | (5,583) | (7,337) |
| Less: Accumulated change in fair value of reinsurance assets | (1,882) | (3,127) |
| Less: Accumulated change in fair value of mortgage loan assets | (2,333) | (2,330) |
| Total adjusted AARE common shareholders's equity | $ 26,406 | $ 22,340 |